



# **RECCE PTY LTD**

Financial Report for the year ended

30 June 2015

## TABLE OF CONTENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	3
STATEMENT OF FINANCIAL POSITION.....	4
CORPORATE INFORMATION.....	5
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES .....	5
DIRECTORS' DECLARATION .....	8
INDEPENDENT AUDITOR'S REPORT .....	9

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 \$	2014 \$
Revenue from continuing operations	370	1,309
Other income	113,484	95,833
<b>Total revenue</b>	<b>113,854</b>	<b>97,142</b>
Employee benefits expense	(256,741)	(164,415)
Laboratory expenses	(53,880)	(8,660)
Share based payments expense	(91,319)	(11,429)
Rental expenses	(61,441)	(51,307)
Depreciation and amortisation expenses	(10,300)	(8,357)
Patent related costs	(46,126)	(52,353)
Other expenses	(43,962)	(72,809)
Finance costs	(251)	(228)
<b>Loss before income tax</b>	<b>(450,166)</b>	<b>(272,416)</b>
Income tax (expense)/benefit	-	-
Loss after income tax	(450,166)	(272,416)
<b>Other comprehensive income</b>		
Other comprehensive income for the year net of income tax	-	-
<b>Total comprehensive income for the year</b>	<b>(450,166)</b>	<b>(272,416)</b>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015**

	2015	2014
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	451,711	94,097
Trade and other receivables	15,805	5
<b>Total current assets</b>	467,516	94,102
<b>Non-current assets</b>		
Property, plant and equipment	78,919	53,970
<b>Total non-current assets</b>	78,919	53,970
<b>Total assets</b>	546,435	148,072
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	239,023	196,909
Other liabilities	26,761	6,899
<b>Total current liabilities</b>	265,784	203,808
<b>Non-current Liabilities</b>		
Provisions	6,687	453
<b>Total non-current liabilities</b>	6,687	453
<b>Total liabilities</b>	272,471	204,261
<b>Net Assets</b>	273,964	(56,189)
<b>EQUITY</b>		
Contributed equity	1,586,139	805,820
Retained earnings (Accumulated losses)	(1,312,175)	(862,009)
<b>Total Equity</b>	273,964	(56,189)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

## **1. Corporate Information**

The financial statements of Recce Pty Ltd for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 5 August 2015 of Recce Pty Ltd. Recce Pty Ltd is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars.

## **2. Statement of Significant Accounting Policies**

### **a. Basis of preparation**

The financial statements have been prepared on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared for the purpose of the preparation of the Investigating Accountants Report for inclusion in the prospectus.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accrual basis and are adopted in the preparation of these statements are as follows:

### **b. Revenue recognition**

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

#### *Interest*

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

#### *Government grants*

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and credited to profit or loss on a straight line basis over the expected lives of the related assets.

### **c. Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## **2. Statement of Significant Accounting Policies (Cont'd)**

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

### **d. Impairment of Assets**

At the end of each reporting period the Company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

### **e. Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

### **f. Property, Plant and Equipment**

Each class of plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

#### **Depreciation**

Depreciation is calculated on a diminishing value basis over the estimated useful life as follows:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	5-20%
Furniture, fittings and equipment	5-20%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

### **g. Patents**

Patents costs are expensed as incurred, until such time it is probable that expected future economic benefits that are attributable to the patents will flow to the entity.

### **h. Research and development**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of materials, services, direct labour and an appropriate portion of overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects which vary from 3 - 5 years. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

**2. Statement of Significant Accounting Policies (Cont'd)**

**i. Other Liabilities**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 17 - 30 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**j. Other Liabilities**

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable within 366 days of the end of the reporting period. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating (Company's incremental borrowing rate). The discount is credited to profit or loss immediately and amortised using the effective interest method.

**k. Employee Benefit Provisions**

*Short-term employee benefit obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

*Other long-term employee benefit obligations*

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

**l. Share based payments**

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). The fair value of shares is determined in reference to recent capital raising undertaken with external parties.

**m. Contributed equity**

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares are shown as a deduction from the equity proceeds, net of any income tax benefit.

**n. GST**

Revenues, expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## **DIRECTORS' DECLARATION**

**Recce Pty Ltd**  
(ABN 73 124 849 065)

For the year ended 30 June 2015

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 2 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes present fairly the company's financial position as at 30 June 2015 and its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements; and
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



**Graham Melrose**  
Director

Dated: 5 August 2015



**Recce Pty Ltd**  
(ABN 73 124 849 065)

## INDEPENDENT AUDITOR'S REPORT



Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
www.bdo.com.au

38 Station Street  
Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

## **INDEPENDENT AUDITOR'S REPORT**

To the members of Recce Pty Ltd

### **Report on the Financial Statement**

We have audited the accompanying financial statement of Recce Pty Ltd which comprises the statement of profit or loss and other comprehensive income for the year ended 30 June 2015, other explanatory information, and the director's declaration (together 'the financial statement'). The financial statement has been prepared by management using the basis of preparation described in Note 2.

#### **Managements Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the basis of preparation described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Independence**

In conducting our audit, we have complied with the independence requirements of Australian professional accounting bodies.



### **Opinion**

In our opinion, the financial statement presents fairly, in all material respects, the profit or loss and other comprehensive income of Recce Pty Ltd for the year ended 30 June 2015, in accordance with the basis of preparation described in Note 2.

### **Basis of accounting**

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial statement has been prepared for the purpose for the preparation of an Investigating Accountants Report for inclusion in a prospectus. As a result, the financial report may not be suitable for another purpose.

**BDO Audit (WA) Pty Ltd**

BDO  
J Prue

**Jarrad Prue**

**Director**

Perth, 5 August 2015