

Annual Report 2018



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Novita Healthcare is an emerging health sector technology company targeting ATTENTION in children through its breakthrough technology TALI. TALI Train uses proprietary algorithms inside a game-based learning application to improve core attention skills in early childhood (www.talihealth.com).

CHAIRMAN'S REPORT

Dear Shareholder,

On behalf of the Board of Directors of Novita Healthcare Limited, I am pleased to present to you the company's 2018 Annual Report.

The Year in Review

Financial Year 2018 saw the company make substantial progress in building an emerging healthcare technology platform which by year end steered the company to have a clear focus on Digital Therapeutics through its breakthrough technology TALI.

The year was not without its challenges but as a Board we believe the Company is now well positioned to deliver on the faith of its shareholders and capitalise on the opportunities available with a commercial ready product.

During the year, the following events occurred:

- We welcomed Glenn Smith as Chief Executive Officer who would become Managing Director in May 2018. Glenn comes to us with over twenty years' experience in the sector and a strong track record of commercialising technologies.
- During the year, an internal development team was established under Glenn's leadership and by year end, outsourced development was substantially reduced.
- Commercial launch of TALI Train through Clinicians, Schools and other mediums (commenced April 2018).
- TALI Train granted Class 1 medical device certification as an attention assistive training device with the Australian Register of Therapeutic Goods (May 2018).
- TALI Train approved as a Registered Provider in the National Disability Insurance Scheme (NDIS) (May 2018).
- In January 2018, the Company was awarded a \$1.2m grant by the Australian Federal Government's Cooperative Research Centre (CRC-P) to design and develop TALI Detect with its partners.
- Acquisition of Newly and subsequent agreement to sell Newly to Healthcarelink, an award winning, online marketplace for jobs in the healthcare sector. (Due for completion in September/October 2018).

These outcomes allowed our management team to focus clearly on our core TALI Health business, where we have a significant competitive advantage due to our cutting-edge technology platform, world class R&D partnership with Monash University and our globally scalable solution TALI Train. With a clear focus moving forward supported by a world class suite of products and an exceptional team headed up Glenn, we believe the Company has never been in a better position to deliver on its strategic objectives.

On behalf of the Directors, I would like to thank our shareholders, employees, and development partners (Monash University, Grey Innovation & Torus Games) for their ongoing support. The Company enters financial year 2019 full of excitement and looks forward to keeping shareholders informed as milestones are achieved.



Mark Simari
Chairman,
Novita Healthcare Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report together with the financial statements of the consolidated entity (referred to hereafter as the Group) comprising of Novita Healthcare Limited (the Company), and its subsidiaries for the financial year ended 30 June 2018 and the auditor's report thereon.

Principal activities

The principal activity of the Group during the course of the financial year was the on-going development and commercialisation of products in the emerging health technology sector. TALI Train, which is TALI Health's flagship application uses proprietary software algorithms to monitor and assist in the treatment of cognitive problems such as attention difficulties in early childhood. In the financial year the Group operations also included Newly a subsidiary developing a technology solution for care or support professionals looking for employment and for aged care or disability support providers needing staff.

Novita Healthcare is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at Suite 2, Ground Floor, 1 Crescent Road, Glen Iris, VIC 3146. Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

Operating and financial review

During the year, Novita's operations have continued to focus on the development of the TALI in anticipation of the launch of the TALI Train program. The Company has also directed significant effort in to building the evidence base around the TALI Train program and on the accelerated the development of TALI Detect.

The statement of profit or loss and other comprehensive income shows a loss of \$4,193,198 (2017: \$1,366,472) for the year. The Group has no bank debt. As at 30 June 2018 the Group had a cash position of \$1,161,458 (2017: \$941,017). Operating, financing and investing activities incurred a cash inflow for the year of \$260,881 (2017: \$550,178).

Likely developments, outlook and risks

The Company's focus for the coming year will be to commercialise the TALI Technology, and to implement its strategy to become a leader in the assessment and treatment of children with developmental delay. The Company has also undertaken a process to divest ownership of Newly in order to support the mission of the Company to deliver market leading, patient outcome focused digital medicine.

Novita Healthcare's lead product, TALI Train is a digital cognitive training program which is due for a wide domestic launch during FY2018/2019. The program uniquely targets core areas of weakness in children with developmental delay via a digital gamed based software application, and provides a much-needed adjunct to pharmacological treatments. The claims of the program are underpinned by completed clinical trials, conducted through Monash University. These clinical trials demonstrated that the product was successful in promoting improvements in both attention (in particular the ability to focus on relevant information while ignoring distractions) and academic skills (specifically numeracy abilities) in young children with developmental delay, including those with autism spectrum disorder.

The ability of the Group to meet operating cash requirements for the next 12 months has been secured by a private placement totalling \$2.8 million (as announced to ASX on 20 July 2018) which will be added to the existing cash on hand of \$1.2 million at the year end. Beyond the next 12 months, the Group expects cash flows being generated from the successful execution of the TALI commercialisation strategy and development opportunities will support the cash position of the Company. The TALI commercialisation strategy is dependent on a number of factors including, among others, assumptions relating to development and marketing expenditure, market demand, sales volume and pricing, working capital requirements and regulatory compliance.

TALI Health Pty Ltd

TALI is a revolutionary platform, clinically proven to improve childhood attention. Childhood attention difficulties have a lifelong impact on education, social skills, relationships, mental health and employment opportunities. In Australia alone, around 400,000 (10%) of children have severe attention difficulties. Children with developmental delays such as autism spectrum disorder (ASD) are particularly vulnerable to attention difficulties, which in turn place them at heightened risk of poor academic, social and behavioural outcomes.

The key to better outcomes for children with attention difficulties, particularly those with developmental delay, is early identification and intervention. Currently, there is a significant lack of tools to provide effective assessment and treatment. Consequently, many children who have attention difficulties remain undetected and miss out on life-changing interventions.

TALI Train is an early intervention program designed by TALI Health in collaboration with a team of neuroscientists from Monash University, Melbourne based game developers, Torus Games and the commercialisation business, Grey Innovation. The touchscreen program continuously adapts to the child's performance to challenge and sharpen their attention skills. Children complete the 20-minute program five days a week over a five-week training period.

Based on 25 plus years of peer reviewed research and scientifically validated in a 'gold standard' randomised control trial, TALI Train is proven to improve attention in childhood. Unlike existing pharmaceutical interventions which focus on treating behavioural symptoms of attention difficulties, e.g. hyperactive behaviour, TALI focuses on strengthening underlying attentional processes at the cognitive level. Thus, TALI has the potential to promote deeper and more stable improvements in attention, as well as behavioural symptoms of attention (e.g. inattentive and hyperactive behaviour), without the negative side effects associated with psychostimulant medication. In addition, TALI provides logistical advantages over traditional face to face intervention methods as it uses the latest technology to deliver health care into the home providing significant cost savings and better outcomes for children.

Newly Pty Ltd

On 21 July 2017, the Company completed the acquisition of Newly Pty Ltd ("Newly") for total consideration comprising \$0.9 million upfront and a deferred cash earn-out of 4 times profit before tax in calendar year 2019. The upfront purchase consideration of \$920,673 was fully settled by the issue of fully paid ordinary shares in Novita at an issue price of \$0.030 per share. Newly is an innovative and scalable technology platform that provides an enhanced recruitment solution for the aged/community and disability care sector. Newly has created an online marketplace connecting care and support professionals with people and organisations that is scalable and cost effective. Newly has one of the largest database of carers in Australia and has established relationships with major care providers nationally.

On 20 July 2018 the company announced it had entered into a Heads of Agreement to sell Newly to Healthcarelink.

Healthcarelink (www.healthcarelink.com.au) (HCL) is an award winning, online marketplace for jobs and careers in the healthcare and medical industry. The combined entity will create a powerful human resource placement solution in the healthcare sector, driven by deep domain experience of the combined teams and unique SaaS technology offering.

The transaction contemplated in the Heads of Agreement is for the Company to achieve a 10% equity interest in HCL, valued at \$1.0 million.

Capital and Corporate Structure

During the year the group restructured the management team with the recruitment of the CEO and 5 staff to support the commercialisation of TALI Train. Novita has also supported the management team and staff of Newly during the development phase of the product.

On 12 July 2017 the Company announced the successful oversubscribed \$2.5 million placement to institutional and sophisticated investors and a non-renounceable Rights Issue offered to all eligible shareholders to raise up to an additional \$1 million ('Equity Raising'). A total of 117,249,940 new shares were issued at an issue price of \$0.03 per share.

On 20 July 2018 the Company announced a \$2.8 million placement to institutional and sophisticated investors. Funds raised in the Equity Raising provided balance sheet support to fund the commercial growth of the company's digital therapies products.

On 20 July 2018, the Group issued 89,861,033 new shares at an issue price of \$0.031 per ordinary share (New Share).

Full details of movements in share capital for the year are detailed in Note 16 to the financial statements. There were no changes to the corporate structure of Novita Healthcare Limited during the financial year ended 30 June 2018.

DIRECTORS' REPORT continued

FOR THE YEAR ENDED 30 JUNE 2018

Unissued shares

During the year 14,377,766 (2017: nil) options to acquire ordinary shares were issued to the CEO, and 13,600,000 (2017: nil) to the directors. Terms and conditions of the options issued are provided in the remuneration report.

Nil (2017: nil) options were exercised during the financial year. 6,800,000 options were forfeited (2017: nil) upon the departure of Chairman (Mr Higgins) during the year.

Number of options on issue at the date of this report	Exercise price when granted	Expiry date
Director options:		
7,188,883	\$0.33	3 October 2022
7,188,883	\$0.33	3 October 2022
14,377,766		
Employee Options:		
6,800,000	\$0.040	21 November 2022
21,177,766		

Directors' Qualifications, Experience and Responsibilities

The directors of the Company at any time during the year or since the end of the financial year are as follows. Directors were in office for the entire period unless stated otherwise:

Name, qualification and independence status

Experience, special responsibilities and other directorships

Mr Mark Simari
Chairman
Qualifications: B.Acc, Dip FS

Mr M Simari joined the Board on 1 September 2016 and was appointed Chairman on 10 May 2018. He is Chairman of the Novita Healthcare Audit Committee. He has significant experience on boards in privately held and ASX-Listed companies.

Mr Jefferson Harcourt
Non-Executive Director
Qualifications: B.Eng (Hons) GAICD

Mr J Harcourt joined the Board on 25 February 2016. He is a Non-Executive Director of the Company and is a member of the Novita Healthcare Audit Committee. Mr Harcourt oversees the development of TALI and his extensive product development and commercial expertise will assist the Company in commercialising the technology.

Mr J Harcourt sits on a number of private technology company boards in the medical device and security markets.

Mr Glenn Smith
Managing Director
Qualifications: MBA, BA (Econ)

Mr G Smith was appointed Chief Executive Officer on 3 October, 2017 and appointed Managing Director on 10 May, 2018. He has over twenty years' experience in leading customer-centric businesses in periods of rapid growth.

Mr B Higgins was an Independent Non-Executive Director from 15 September 2017 and Chairman from 30 October 2017 until his resignation on 10 May, 2018.

Mr I Kirkwood was an independent Executive Director from 9 August 2010 and Chairman from 18 April 2011 until his resignation on 30 October 2017.

Company Secretary

Mr John Osborne BSc, FRMIT (Management), Grad Dip Corp Gov, AGIA

Mr Osborne was appointed as Company Secretary of Novita Healthcare Limited on 11 October 2016. He has over 30 years of senior financial, administrative, commercial and company secretarial experience with ASX listed companies.

DIRECTORS' REPORT continued

FOR THE YEAR ENDED 30 JUNE 2018

Directors' Interests

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G (1) of the Corporations Act 2001, as at the date of this report is as follows:

Director	Number of ordinary shares	Number of options to acquire ordinary shares
Mr M Simari	2,000,000	3,400,000
Mr J Harcourt	25,322,110	3,400,000
Mr Glenn Smith	-	14,377,766

Shareholder approval was given on 30 October 2017 to the issue of 6,800,000 options to the Chairman Mr B Higgins and 3,400,000 each to Mr J Harcourt and Mr M Simari. These options were issued with an exercise price of \$0.03, an expiry date of 30 October 2022 and are subject to performance hurdles. Mr Higgins options were cancelled upon his resignation on 10 May 2018.

Directors' Meetings and Committee Membership

Due to the small number of non-executive directors on the Board, all the incumbent non-executive directors are members of the Audit Committee. The Audit Committee considers quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Company's Remuneration and Nomination Committee was disbanded on 1 July 2016 and the responsibility for the composition of the Board and nomination of new directors and reviewing and monitoring the performance of the Performance Management and Development System for director, executive and staff remuneration is now assumed by the full Board.

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings	
	Attended	Held (i)	Attended	Held (i)
Mr M Simari	10	11	2	2
Mr J Harcourt	10	11	2	2
Mr Glenn Smith	2	2	-	-
Mr I Kirkwood	4	4	1	1
Mr B Higgins	7	7	1	1

(i) Represents the number of meetings held during the time that the director held office.

Dividends

The directors do not recommend a dividend be paid or declared by the Company for the year. No dividend has been paid by the Company since its incorporation on 7 April 2004.

Significant Changes in the State of Affairs

Other than as detailed elsewhere in this financial report, there has been no significant change in the state of affairs of the company.

Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The directors believe that the Group has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Group.

Events Subsequent to Reporting Date

On 20 July 2018, the Group announced:

- The successful \$2.8 million placement at \$0.031 per share to fund the commercialisation and growth of TALI. The equity raising comprised of the issue of 89,861,033 new shares at an issue price of \$0.031 per share. The offer price represents a discount of 6.06% to the last close and 5-day volume weighted average price ("VWAP"). The placement fully utilised the Company's placement capacity under ASX Listing Rules 7.1 (capacity and used 53,916,620 shares) and 7.1A (capacity and used 35,944,413 shares). The net proceed of the placement will be used for the direct to consumer marketing and sales activities for TALI Train, the International expansion for TALI Train, the initial TALI Detect pilot programs and for then HealthcareLink capital subscription as part of divestment of Newly Pty Ltd
- Entering into a Heads of Agreement to sell Newly to HealthcareLink (www.healthcarelink.com.au). HealthcareLink (HCL) is an award winning, online marketplace for jobs and careers in the healthcare and medical industry. The combined entity will create a powerful human resource placement solution in the healthcare sector, driven by deep domain experience of the combined teams and a unique SaaS technology offering.
- In anticipation of concluding the sale of Newly, as announced on 20 July 2018, the Company has agreed with the vendors of the Newly business to the early release from voluntary escrow of the 30,689,095 fully paid ordinary shares issued on 19 July 2017 as part consideration for the acquisition of Newly Pty Ltd. The original release date was 19 January 2019 and the full 30,689,095 ordinary shares were released from escrow on 29 August 2018.

In the interval between the end of the financial year and the date of this report no other item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify the directors of the Company against liability arising as a result of a director acting as a director or other officer of the Company. The indemnity includes a right to require the Company to maintain Directors' and Officers' Liability insurance that extends to former directors. The indemnity provided by the Company is an unlimited and continuing indemnity irrespective of whether a director ceases to hold any position in the Company.

Insurance Premiums

Since the end of the financial year, the Company has paid a premium of \$60,500 for Directors' and Officers' Liability insurance for current and former directors and officers, including executive officers of the Company. The directors have not contributed to the payment of the policy premium.

The Directors' and Officers' Liability insurance policy covers the directors and officers of the Company against loss arising from any claims made against them during the period of insurance (including company reimbursement) by reason of any wrongful act committed or alleged to have been committed by them in their capacity as directors or officers of the Company and reported to the insurers during the policy period or if exercised, the extended reporting period.

DIRECTORS' REPORT continued

FOR THE YEAR ENDED 30 JUNE 2018

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and each respective sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example such matters as strategic investments.

The Audit Committee assists in discharging the Board's responsibility to manage the organisation's financial risks. The Committee advises the Board on such matters as the Group's liquidity, currency, credit and interest rate exposures and monitors management's actions to ensure they are in line with Group policy.

Rounding Off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration forms part of the Directors' Report for the year ended 30 June 2018 and is set out on page 16.

Non-Audit Services

The following non-audit services provided by the Group's auditor RSM Australia Partners during the financial year were the directors are satisfied that the provision of non-audit services is compatible with the general standard for independence imposed by the Corporations Act 2001 and with the Company's own Auditor Independence Policy. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised. RSM Australia Partners received the following amounts for the provision of the following services:

Non-audit services:

Tax compliance and other advisory services	<u>\$ 8,500</u>
Total Non-audit services	<u>\$ 8,500</u>

The directors are satisfied that the provision of non-audit services is compatible with the general standard for independence imposed by the Corporations Act 2001 and with the Company's own Auditor Independence Policy. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised.

REMUNERATION REPORT

FOR THE YEAR ENDED 30 JUNE 2018

This report outlines the compensation arrangements in place for Non-Executive Directors (NEDs) and senior executives of the Company being the key management personnel (**KMP**) of the Company – being those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director and includes all the executives in the Company. For the purposes of this report, the term “executive” includes the CRO and senior executives but does not include the NEDs or the secretary of the Company. All sections contained herein have been subject to audit as required by section 308(3C) of the Corporations Act. Remuneration is referred to as compensation in this report.

Details of KMP including the top remunerated executives of the Company are set out in the tables on page 15. Unless otherwise indicated, the individuals were KMP for the entire financial year. There have been no changes to KMP after the reporting date and before the date of this report.

Company Performance

	2018	2017	2016	2015	2014
Net profit/(loss) attributable to equity holders of the parent	(4,193,198)	(1,366,472)	(\$6,782,938)	(\$6,610,135)	(2,896,604)
Closing share price (\$)	.035	.029	.025	.007	.014

Principles of Compensation and Strategy

The full Board assesses the appropriateness of the nature and amount of remuneration of NEDs and senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team and aligning the interests of the executives with those of the shareholders.

Novita Healthcare Limited’s remuneration strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group. To this end, key objectives of the Company’s reward framework are to ensure that remuneration practices are aligned to the Group’s business strategy, offer competitive remuneration benchmarked against the external market, provide strong linkage between

individual and Group performance and rewards and align the interests of executives with shareholders. Where relevant, the remuneration framework incorporates at risk components through Short-term Incentives (STI) and Long-term Incentives (LTI) arrangements tailored to the particular executive by reference to both financial and other metrics which generate value for shareholders. The Board also sets the aggregate fee pool for NEDs (which is subject to shareholder approval) and NED fee levels.

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

The Board assumes full responsibility for compensation policies and packages applicable to directors and senior executives of the Company. The broad compensation policy is to ensure the compensation package appropriately reflects the person’s duties and responsibilities, and that compensation levels are competitive in attracting, retaining and motivating people who possess the requisite level of skill and experience. Employees may receive at-risk incentive payments remunerated as cash and/or securities (performance rights or options) based on the achievement of specific goals related to the performance of the individual and the Company as a whole as determined by the directors. Incentives are provided to senior executives and employees for the achievement of individual and strategic objectives with the broader view of creating value for shareholders.

REMUNERATION REPORT continued

FOR THE YEAR ENDED 30 JUNE 2018

Fixed Compensation

Fixed compensation consists of a base salary package, which includes Fringe Benefits Tax calculated on any salary packaging arrangements and employer superannuation contributions. Fixed compensation levels for KMP and senior members of staff are reviewed by the Board and comprising the Company's Key Management Personnel (**KMP**), through a process that considers the employee's personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data. The Board's policy is to ensure that fixed remuneration is market competitive having regard to industry peers and companies of similar financial size. Given the Company's size it is not considered necessary to engage remuneration consultants for this purpose and accordingly the Company undertakes its own informal review, which it does on an ongoing basis

Key Performance Indicators (**KPIs**) are individually tailored by the Board in advance for each employee each year, and reflect an assessment of how that employee can fulfil his or her particular responsibilities in a way that best contributes to Company performance and shareholder wealth in that year with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Company.

Performance Linked Compensation

All employees are potentially eligible to receive at-risk incentive payments and/or securities (shares or options) based on the achievement of specific goals related to (i) performance against individual key performance indicators and/or (ii) the performance of the Company as a whole as determined by the Board based on a range of factors. These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry-specific factors. The purpose of these payments is to reward employees for their contribution to the Group.

Employment contracts for staff other than the KMPs do not generally provide for at-risk or short-term incentive compensation arrangements having regard to the above factors although the Board always retains the right to agree or otherwise provide payments on a discretionary basis in special circumstances or where individual performance merits a payment being made.

The Board is responsible for the determination of incentive compensation for employees and executives and for any decisions to award performance incentives. The Board at its sole discretion determines the total amount of performance-linked compensation payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro rata reductions to the annualised salary made for any employee not employed for the entire financial year).

In respect of the 2018 financial year, an amount of \$nil (2017: \$23,663) was paid to the Chief Research Officer. An amount of nil (2017: \$nil) has been accrued at the end of the 2018 financial year by way of an employee benefit provision in respect of performance incentives for the 2018 financial year.

The Directors have the discretion to recommend the offer of performance rights to acquire ordinary shares, options or the direct issue of shares to any member of staff in recognition of exemplary performance. Such securities may be fully vested upon issue given that they are issued as a reward for past performance rather than as a LTI. Any issue of such securities proposed as incentive compensation requires approval by the Board and is subject to any limitations imposed by the Corporations Act and the ASX Listing Rules. As at the date of this report, no such securities have been issued.

At, or as soon as practicable after, the beginning of the financial year, individual and team performance for the previous year is assessed for every employee by their manager and new objectives set for the forthcoming year. These objectives include department and project specific objectives together with individual stretch objectives, challenging, realistic and personal development objectives tailored to the employee's role within the organisation. Measurement, management support, target dates and training course requirements are all set. Progress against the objectives is reviewed during the year and percentage achievement concluded at the end of the year, whereupon the cycle recommences. The outputs of this process form the basis of the assessment of the individual's personal incentive compensation.

The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements. All Performance Rights are also subject to an overriding condition that the financial performance of the Company, in the absolute discretion of the Board, has been satisfactory.

Service Contracts

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts with executives.

	Notice period	Payment in lieu of notice	Treatment of Short Term incentives	Treatment of Long Term Incentives
Termination by Company (death, disablement, redundancy etc)	3 months (6 months for CEO)	3 months (6 months for CEO)	Any STI payments are at Board discretion	At the discretion of the Board.
Termination for Cause	None	None	Any STI payments are at Board discretion	Unvested awards forfeited. Vested and unexercised awards forfeited.
Resignation by Employee	6 weeks (3 months for CEO)	None	Any STI payments are at Board discretion	Unvested awards forfeited.

Performance Linked Compensation

The Company Secretary is engaged by the Company under a consultancy agreement. The agreement provides a fixed monthly fee for "in scope" services with additional work charged at hourly rates. The consultancy agreement is a rolling contract and can be terminated by either party by giving two months' notice in writing to the other party.

Long Term Incentive (LTI)

From time to time Board approval may be sought for the issue of securities (performance rights or options) to staff and executives as a means of providing a medium to long term incentive for performance and loyalty. Any such performance rights are issued under the Novita Healthcare Performance Rights Plan.

An amount of \$356,915 (2017: \$11,190) has been recognised in the 2018 financial year by way of shared based payment expense. In order to give the incentive medium to long term impact, the performance rights have an approximate three year life and a vesting profile as shown following.

2018

Issues in 2018	6,800,000 options were issued to the Chairman at the time, B Higgins, and 3,400,000 each to Executive Directors J. Harcourt and M. Simari. 14,377,766 options were issued to the CEO, Glenn Smith under the Novita Healthcare right and share option plan in relation to the 2017 long term incentive scheme.
Vesting	1,000,000 shares vested on 30 August 2017 related to performance rights issued to Chief Research Officer in 2017.

2017:

Issues in 2017	3,000,000 performance rights to the Chief Research Officer (each entitling the CRO to acquire one fully paid share in the Company for a nil exercise price).
Vesting	Up to 1,000,000 performance rights on each of 30 August 2017, on 30 August 2018 and on 30 August 2019 subject to performance conditions relating to Total Shareholder Returns (TSR).

Other Benefits

In addition to the fixed and at-risk compensation, the Company provides salary continuance cover for its permanent employees engaged in more than 20 hours work per week and pays the administration fees for employees participating in the Aon Master Trust superannuation fund.

REMUNERATION REPORT continued

FOR THE YEAR ENDED 30 JUNE 2018

Director Compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount approved by shareholders is then divided between the directors as agreed by the Board. An amount of \$350,000 was approved at the Company's inaugural Annual General Meeting held on 4 October 2005. The Board does not intend to seek any increase for the NED maximum aggregate fee pool at the 2018 AGM.

The board seeks to set NED fees at a level which provides the Group with the ability to attract and retain NEDs of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The maximum aggregate fee pool and the fee structure is reviewed annually against fees paid to NEDs of comparable companies in similar industries.

Non-executive directors do not receive performance related compensation and the structure of non-executive director and senior management compensation is separate and distinct. Non-executive directors do not have contracts of employment but are required to evidence their understanding and compliance with the Board policies of Novita Healthcare Limited. These Board policies do not prescribe how compensation levels for non-executive directors are modified from year to year. Compensation levels are to be reviewed by the Board each year taking into account cost of living changes, changes to the scope of the roles of the directors, and any changes required to meet the principles of the overall Board policies.

From 1 May 2015, the Directors' base fees were \$25,000 and \$50,000 for the non-executive directors and the Chairman respectively. From 1 December 2016 the Directors' base fees were increased to \$35,000 each. From the 30 October the Chairman's base fee was increased to \$60,000.

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

Remuneration Report at FY'17 Annual General Meeting

The remuneration report was approved by shareholders at the 2017 AGM with more than 98% of holders in favour of the resolution.

Directors' and Executive Officers' Compensation Tables

Details of the nature and amount of each major element of the compensation of each director of the Company and each of the 2 named officers of the Company receiving the highest compensation for the period that the director or officer held that position during the current and prior financial years are disclosed in accordance with Accounting Standard AASB 124 *Related Party Disclosures* and with the Corporations Act 2001 in the following tables.

Details of the Company's policy in relation to the proportion of compensation that is performance related are provided earlier in this report. For the individuals named in the Directors' and Executive Officers' compensation tables, details of their service contracts are provided under the heading of "Service contracts" earlier in this report. Figures in brackets represent the value of bonuses/incentives and options respectively as a percentage of total compensation.

In the following tables, the fair value of the performance rights granted to the Chief Research Officer have been calculated based on the value at the date of grant using the Monte-Carlo pricing model. Refer to the Note 23 of this report for full details of the performance rights valuations.

Directors' and Executive Officers' Compensation Tables (continued)

2018:

Base Compensation (salary and fees)	Short term:			Post Employment:	Share-based Payments:	Total compensation
	Consulting fees	Non-cash Benefit	Bonuses / incentives	Superannuation Contributions	Shares and Performance Right's Issued	
Directors	\$	\$	\$	\$	\$	\$
<i>Non-executive</i>						
Mr M Simari (i)	40,470	-	-	-	64,409	104,879
Mr J Harcourt (ii)	35,000	-	-	-	64,409	99,409
Mr B Higgins (iii)	39,166	-	-	-	128,818	167,984
Mr I Kirkwood (iv)	15,980	-	-	1,518	-	17,498
Total compensation	130,616	-	-	1,518	257,636	389,770
Executives						
<i>Key Management Personnel</i>						
Mr G Smith (v)	184,936	-	-	17,569	52,036	254,541
Dr H Kirk (vi)	57,740	-	-	5,485	47,243	110,468
Ms M Klapakis (vii)	139,549	-	-	13,257	-	152,806
Total compensation	382,225	-	-	36,111	99,279	517,815

(i) Appointed on 1 September 2017.

(ii) Appointed on 25 February 2016.

(iii) Resigned on 10 May 2018.

(iv) Resigned on 30 October 2017.

(v) Appointed 2 October 2017.

(vi) Appointed on 3 February 2016.

(vii) Appointed on 1 December 2010.

In addition to the above directors' remuneration, during the financial year an amount of \$649,881 was paid to Grey Innovation Pty Ltd (a company associated with Mr Harcourt) for services in connection with the development of TALI (refer Note 22 for further details).

2017:

Base Compensation (salary and fees)	Short term:			Post Employment:	Share-based Payments:	Total compensation
	Consulting fees	Non-cash Benefit	Bonuses / incentives	Superannuation Contributions	Shares and Performance Right's Issued	
Directors	\$	\$	\$	\$	\$	\$
<i>Non-executive</i>						
Mr M Simari (i)	26,667	-	-	-	-	26,667
Mr J Harcourt (ii)	30,833	-	-	-	-	30,833
Mr B Hewett (iii)	517	-	-	-	-	517
Mr A Tan (iv)	10,417	-	-	-	-	10,417
Mr B Yeo (v)	2,083	-	-	-	-	2,083
Total compensation	70,517	-	-	-	-	70,517
Executives						
<i>Key Management Personnel</i>						
Mr I Kirkwood (vi)	47,940	-	-	4,555	-	52,495
Dr H Kirk (vii)	86,438	-	23,663	8,212	11,190	129,503
Ms M Klapakis (viii)	142,597	-	-	13,547	-	156,144
Total compensation	276,975	-	23,663	26,313	11,190	338,142

(i) Appointed on 1 September 2017

(ii) Appointed on 25 February 2016

(iii) Resigned on 11 July 2016.

(iv) Resigned on 29 November 2016.

(v) Resigned 26 July 2016.

(vi) Resigned on 30 October 2017.

(vii) Appointed on 3 February 2016.

(viii) Appointed on 1 December 2010.

REMUNERATION REPORT continued

FOR THE YEAR ENDED 30 JUNE 2018

In addition to the above directors' remuneration, during the financial year an amount of \$534,610 was paid to Grey Innovation Pty Ltd (a company associated with Mr Harcourt) for services in connection with the development of TALI (refer Note 22 for further details).

Grants, Modifications and Exercise of Options and Rights over Equity Instruments Granted as Compensation

2018: Other than the 27,977,766 options that were granted to the Directors, there were no options granted as compensation during the financial year.

2017: Other than 3,000,000 performance rights granted to the Chief Research Officer, there were no options granted as compensation during the financial year.

Shares Issued on Exercise of Performance Rights

During the financial year the company issued 1,000,000 (2017: nil) ordinary shares upon the exercise of performance rights for total proceeds of \$30,000 (2017: nil). Since the end of the financial year up to the date of this report the company has issued nil (2017: nil) shares upon exercise of performance rights for total proceeds of \$nil (2017: nil).

Alteration to Option Terms

There have been no alterations to option terms and conditions during or since the end of the financial year up to the date of this report.

Key Management Personnel (KMP)

The numbers of performance rights and options issued, vested and exercisable, and forfeited or lapsed during the financial year and prior financial year for KMP are shown in the following tables

Equity Holdings and Transactions

The movements during the reporting period and prior reporting period in the number of ordinary shares in Novita Healthcare Limited held, directly or indirectly or beneficially, by each specified director and specified executive, including their personally-related entities are shown in the following tables. For persons who commenced or ceased as a Director during a period, figures reported are for the period of appointment only.

Number of shares held in Novita Healthcare Limited:

	Holding of Ordinary Shares at 1 July 2017 (or date of appointment)	Shares sold during the financial year	Shares acquired via Rights Issue /performance plan during the financial year	Holding of Ordinary Shares at 30 June 2018
	Number	Number	Number	Number
Directors				
Mr J Harcourt	14,133,237	-	11,188,873	25,322,110
Mr M Simari	1,000,000	-	1,000,000	2,000,000
Total directors	15,133,237	-	12,188,873	27,322,110
Executives				
Mr G Smith	-	-	-	-
Dr H Kirk	200,909	(150,000)	1,000,000	1,050,909
Ms M Klapakis	13,904	-	6,096	20,000
Total executives	214,813	(150,000)	1,006,096	1,070,909
Total Management Personnel	15,348,050	(150,000)	13,194,969	28,393,019

Consequences of Performance on Shareholder Wealth

In considering the Group's performance and how best to generate shareholder value, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the technical and commercial progress on the Company's projects and, where applicable, relationship building with health clinics and institutions and internal innovation etc. The Board has some but not absolute regard to the Group's result and cash consumption for the year. It does not utilise earnings per share as a performance measure and does not contemplate consideration of any dividends in the short to medium term given that all efforts are currently being devoted to obtaining value for the Group's assets and where possible building the business and partnerships to establish self-sustaining revenue streams and total shareholder value. The Company is of the view that any short term, adverse movements in the Company's share price should not necessarily be taken into account in assessing the performance of KMP's.

Dated at Melbourne this 31st day of August, 2018.

This report is made with a resolution of the directors.



Mark Simari
Chairman

LEAD AUDITOR'S INDEPENDENCE DECLARATION REPORT

FOR THE YEAR ENDED 30 JUNE 2018



RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Novita Healthcare Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (I) the auditor Independence requirements of the Corporations Act 2001 in relation to the audit; and
- (II) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to be 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be 'R B Miano'.

R B MIANO
Partner

Dated: 31 August 2018
Melbourne, Victoria

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated	
		2018 \$	2017 \$
Revenue from operating activities	4	507,291	566,156
Other revenue	4	50,000	-
Contract research and development expenses	5(a)	(396,142)	(733,387)
Employee expenses		(1,470,149)	(500,835)
Share based payment expense	23	(356,915)	(11,190)
Depreciation and amortisation expenses	5(b)	(247,303)	(172,636)
Consulting expenses		(38,762)	(59,612)
Occupancy expenses		(103,565)	(105,723)
Professional services expenses		(425,088)	(100,105)
Travel and accommodation expenses		(68,863)	(2,455)
Asset management expenses		(65,780)	(3,754)
Insurance expenses		(64,491)	(31,528)
Corporate administration expenses		(47,848)	(123,027)
Intellectual property expenses		(60,256)	(48,559)
Advertising and Promotion		(414,237)	(28,760)
Other expenses	5(c)	(159,519)	(48,559)
Net loss of sale of subsidiary		-	(1,661)
Impairment of goodwill and acquired database	13, 31	(923,202)	-
Results from operating activities		(4,284,828)	(1,393,007)
Foreign exchange gains/losses		(14)	(1,898)
Gain/losses on disposal of fixed assets		-	(2,172)
Net finance income / (expense)	34	91,644	30,605
Income tax expense	7	-	-
Loss from operations for the period		(4,193,198)	(1,366,472)
Loss attributable to owners of the Company		(4,193,198)	(1,366,472)
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Foreign Currency Translation Reserve		-	68
Total comprehensive (loss)/income for the period attributed to owners of the Company		(4,193,198)	(1,366,405)
Earnings per share			
Basic earnings per share (cents per share)	20	(1.35)	(0.73)
Diluted earnings per share (cents per share)	20	(1.35)	(0.73)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 22 to 46.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated						
	Note	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total Equity
		\$	\$	\$	\$	\$
Opening balance as at 1 July 2017		188,263,259	(186,547,094)	11,190	537,196	2,264,551
Comprehensive (loss)/income for the period						
Loss	17	-	(4,193,198)	-	-	(4,193,198)
Total comprehensive income/(loss) for the period		-	(4,193,198)	-	-	(4,193,198)
Foreign currency translation reserve (*)		-	537,196	-	(537,196)	-
Transactions with owners, recorded directly in equity						
Issue of ordinary shares upon a business acquisition #		920,673	-	-	-	920,673
Issue of ordinary shares pursuant to private placement		2,500,000	-	-	-	2,500,000
Issue of ordinary shares pursuant to shortfall		396,265	-	-	-	396,265
Issue of ordinary shares pursuant to rights issue		621,233	-	-	-	621,233
Issue of shares to Grey Innovation in accordance with 18 August 2017 EGM		170,000	-	-	-	170,000
Transaction costs relating to issue of ordinary shares		(375,513)	-	-	-	(375,513)
Equity settled share-based payment transactions		-	-	356,915	-	356,915
Total transactions with owners		4,238,658	(537,196)	356,915	(537,196)	4,589,573
Closing balance as at 30 June 2018	16,17	192,495,917	(190,203,096)	368,105	-	2,660,926

(*) Foreign Currency Translation Reserve was transferred to Accumulated Losses as is no longer relevant.

(#) An upfront purchase consideration of \$920,673 (being agreed purchase price less settlement adjustments) in fully paid ordinary shares in Novita at an issue price of \$0.03. The new shares issued were subject to an escrow period and were released 29 August 2018.

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 22 to 46.

STATEMENT OF CHANGES IN EQUITY continued

AS AT 30 JUNE 2018

		Consolidated				
	Note	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total Equity \$
Opening balance as at 1 July 2016		186,137,982	(185,180,622)	-	537,128	1,494,488
Comprehensive (loss)/income for the period						
Profit / (Loss)	17	-	(1,366,472)	-	-	(1,366,472)
Total other comprehensive income		-	-		68	68
Total comprehensive income for the period		-	(1,366,472)	-	68	(1,366,404)
Transactions with owners, recorded directly in equity						
Issue of ordinary shares upon a business acquisition		-	-	-	-	-
Issue of ordinary shares pursuant to private placement		-	-	-	-	-
Issue of ordinary shares pursuant to rights issue		2,209,380	-	-	-	2,209,380
Transaction costs relating to issue of ordinary shares		(84,103)	-	-	-	(84,103)
Equity settled share-based payment transactions		-	-	11,190	-	11,190
Total transactions with owners		2,125,277	-	11,190	-	2,136,467
Closing balance as at 30 June 2017	16,1 7	188,263,259	(186,547,094)	11,190	537,196	2,264,551

Amounts disclosed in the statement of changes in equity are stated net of tax.

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 22 to 46.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Consolidated 2018 \$	2017 \$
Current assets			
Cash and cash equivalents	9	1,161,458	941,017
Receivables	10	814,886	598,236
Investments	11	24,576	67,200
Other assets	12	14,174	1,281
Total current assets		2,015,094	1,607,734
Non-current assets			
Intangible assets	13	1,839,065	872,553
Plant and equipment	14	65,654	51,847
Total non-current assets		1,904,719	924,400
Total assets		3,919,813	2,532,134
Current liabilities			
Trade and other payables	15	604,597	200,597
Net liabilities held for sale	32	56,029	-
Deferred income	33	72,789	-
Employee benefit provisions	25	104,585	66,209
Total current liabilities		838,000	266,806
Non-current liabilities			
Employee Provisions	25	2,353	777
Deferred Income	33	418,534	-
Total non-current liabilities		420,887	777
Total liabilities		1,258,887	267,583
Net assets		2,660,926	2,264,551
Equity			
Share capital	16	192,495,917	188,263,259
Foreign Currency Translation Reserve		-	537,196
Share based payment reserve	23	368,105	11,190
Accumulated losses	17	(190,203,096)	(186,547,094)
Total equity		2,660,926	2,264,551

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 22 to 46.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated	
		2018	2017
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		69,499	-
Cash payments in the course of operations		(2,554,870)	(1,901,494)
R&D incentive		504,348	303,351
Grants Received		186,920	50,000
Interest received		31,999	16,970
Net cash used in operating activities	19	(1,762,104)	(1,531,173)
Cash flows from investing purchases			
Purchase of Intangible assets		(1,177,494)	-
Purchase of plant and equipment		(44,237)	(42,365)
Proceeds from disposal of listed equity instruments		99,736	-
Proceeds from disposal of subsidiaries		-	(1,561)
Net cash used in investing activities		(1,121,995)	(43,926)
Cash flows from financing activities			
Proceeds from issue of shares pursuant to placement with private and sophisticated investors		2,500,000	-
Proceeds from issue of shares pursuant to share purchase plan		1,017,498	2,209,380
Share issue costs		(372,518)	(84,103)
Net cash used in financing activities		3,144,980	2,125,277
Net (decrease) / increase in cash held		260,881	550,178
Cash at the beginning of the financial year		941,017	388,374
Effect of exchange rate fluctuations on cash held		-	2,465
Cash and cash equivalents at the end of the financial year	9	1,201,898	941,017

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 22 to 46.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 Reporting Entity

Novita Healthcare Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at 30 June 2018 comprise the Company and its subsidiary entities (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in research and development, for commercialisation, of pharmaceutical programs and medical technology projects. The Company is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at Suite 2, Ground Floor, 1 Crescent Road, Glen Iris, VIC 3146. Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

2 Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

(b) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements for the year ended 30 June 2018, the consolidated entity incurred a loss of \$4,193,198 (30 June 2017: loss of \$1,366,472) and had negative operating cash flows of \$1,762,104 (30 June 2017: negative operating cash flows of \$1,531,173). The consolidated entity's main activity is developing and commercialising the TAL1 products and various service lines which will require further funding and investment.

Despite this financial position, in the Directors opinion there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern, able to pay its debts as and when they fall due, after consideration of the following:

- At year-end:
 - the Group's cash reserves totalled \$1,201,898;
 - the Group had positive working capital of \$1,177,094; and
- subsequent to year-end, the consolidated entity raised \$2.8 million of additional capital.

(c) Use of Estimates and Judgements

The preparation of consolidated financial statements conforms with Australian Accounting Standards which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and judgments made in preparing the financial statements are:

- assessing the carrying amount and estimated useful life of identifiable intangible assets (refer to note 13); and
- assessing the carrying amount of investments (refer to note 11).

3 Significant Accounting Policies

At the date of this financial report the following standards and interpretations, which may impact the Company in the period of initial application, have been issued but are not yet effective. Other than changes to disclosure formats, it is not known whether the initial application of these new standards in the future will have any material impact on the financial report.

AASB 15	Revenue from Contracts with Customers
AASB 2014-5	Consequential amendments to Australian Accounting Standards arising from the issuance of AASB 15
AASB 9	Supersedes AASB 9 and AASB 9 when applied. <i>Financial Instruments</i>
AASB 2014-7	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 9
AASB 16	The standard replaces AASB 17 "Leases" and for lessees will eliminate the classification of operating leases and finance leases.
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions.

(a) Revenue Recognition

Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction as at reporting date.

Government grants

Conditional government grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

An unconditional grant is recognised in profit or loss as other income when the grant becomes receivable.

(b) Financial Instruments

Non-derivative financial instruments comprise receivables, cash and cash equivalents, trade and other payables and financial assets at fair value through profit and loss and available for sale assets. Non-derivative financial instruments are recognised initially at fair value and, subsequent to initial recognition, are measured as described below.

A financial instrument is recognised if the Group becomes a contractual party to the contractual provisions of the instrument. Financial instruments are de-recognised if the Group's contractual rights to the cash flows from the financial assets expire or are transferred to another party without retaining control or substantially all the risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at a trade date (i.e. the date the Group commits itself to purchase or sell the asset). Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

The Group has the following non-derivative financial assets: available-for-sale assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is de-recognised, the cumulative gain or loss in equity is transferred to profit and loss.

Available-for-sale financial assets comprise equity securities.

Cash and cash equivalents comprise cash balances and call or term deposits. Accounting for finance income and costs are discussed in Note 3(c).

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

3 Significant Accounting Policies continued

(c) Finance Income and Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

(d) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST excluded. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign Currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated to Australian dollars using the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Australian dollars at the exchange rate at the date that the fair value was determined.

The assets and liabilities of foreign Group entities are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in other comprehensive income.

(f) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Significant Accounting Policies continued

(g) Property, Plant and Equipment

(i) Owned assets

The Group holds no property. Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of day to day servicing of plant and equipment are recognised in profit or loss as incurred. The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably.

(ii) Leased assets

Leases on terms by which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. The Group has no finance leases. Leases other than finance leases are classified as operating leases.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2.5 – 10 years

Depreciation methods, useful lives and residual values are reassessed annually at the reporting date.

(h) Intangible Assets

Intangible assets acquired by the Group which satisfy the asset recognition criteria set out in AASB 138 *Intangible Assets*, are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets which are considered to have a finite life are amortised over their estimated useful life. In respect of acquired licences / marketing rights, amortisation commences upon the asset becoming available for use, based on commercialisation of the licensed or marketed product. The estimated useful life of acquired intellectual property is 5-20 years (2017: 5-20 years).

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the groups share of the net identifiable assets of the acquired subsidiaries or associate at the date of acquisition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits with an original maturity of three months or less.

(j) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

An impairment loss in respect of an asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the effective original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Aside from impairment of goodwill, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

3 Significant Accounting Policies continued

The carrying amounts for non-financial assets are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is determined as the greater of its value in use and its fair value less costs to sell. Value in use is assessed using discounted cash flow analysis. When determining fair value less costs to sell, Novita Healthcare takes into account information from recent market transactions and other available market based information.

(k) Employee Benefits

(i) Long-Term Service Benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method.

(ii) Share-Based Payment Transactions

The Group provides benefits to its employees in the form of share-based payments, whereby services are rendered in exchange for shares or rights over shares (equity-settled transaction). There is currently a Performance Rights Plan in place as part of the LTI, for the issue of share based payments to staff and KMP as a reward for performance and loyalty. LTI awards to executives are made under the executive Performance Rights plan and are delivered in the form of performance rights or zero exercise price options. The performance rights will vest over a period of three years subject to meeting performance measures. The cost of the equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (vesting period), ending on the date the relevant employees benefit become fully entitled to the award (the vesting date). The fair value of the performance rights is based on the Monte Carlo pricing model to test the likelihood of attaining the performance hurdles.

(iii) Wages, Salaries, Annual Leave and At-Risk Performance Incentives

Liabilities for employee benefits for wages, salaries, annual leave and performance incentives represent present obligations resulting from employees' services provided up to reporting date and are calculated at undiscounted amounts based on compensation wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

(iv) Superannuation

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due. The Company has no defined benefit pension fund obligations.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(m) Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

(n) Research and Development

Research expenditure undertaken with the prospect of gaining new scientific or technical knowledge or understanding is expensed in profit or loss as incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and completion of development is intended.

3 Significant Accounting Policies continued

(o) Segment Reporting

A segment is a distinguishable component of a company engaged in providing products or services within a particular business sector or geographical environment. The Group determines and presents operating segments based on information that internally is provided to and used by the Executive Chairman, who is the Group's chief operating decision maker. The Group operates within three business segments comprising research and development, Healthcare/Workforce Management and investments. Discrete financial information about each of these operating businesses is reported to the Board on at least a monthly basis.

(p) Earnings Per Share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding for the period. Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, including share options granted to employees and to third parties.

(q) Share Capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any associated tax benefit.

(r) Fair Value Reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are de-recognised or impaired.

(s) Equity Accounted Investments

Associates are those entities where the Group has significant influence, but not control or joint control, over the financial and operating policies. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes any goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' post acquisition profits or losses is recognised in the Statement of Profit or Loss and Other Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in equity. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable reduce the carrying amount of the investment.

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 July 2017 have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(u) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

(v) Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

3 Significant Accounting Policies continued

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposals groups to fair value less costs of disposal. A gain is recognised for an subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

4. Revenue

	Consolidated	
	2018	2017
	\$	\$
R&D incentive	231,086	516,156
Grant Revenue	186,920	50,000
Sales Revenue	89,285	-
Total revenue from operating activities	507,291	566,156
Other revenue	50,000	-
Total other revenue	50,000	-

5. Profit before Related Income Tax Expense

	Consolidated	
	2018	2017
	\$	\$
a) Items included in profit before related income tax expense:		
Contract research and development expenditure	396,142	733,387
Direct research and development expenditure	562,149	383,834
Research and Development	958,291	1,117,221
b) Profit before related income tax expense has been arrived at after charging the following items:		
Depreciation of plant and equipment	25,583	9,672
Amortisation of intangible assets	221,718	162,964
Amounts recognised in provisions for employee entitlements	59,028	17,696
Superannuation payments to defined contribution plans	108,793	58,280
c) Other expenses		
Workplace administration	152,858	45,899
Other expenses	6,661	2,660
Total other expenses	159,519	48,559

6. Auditors' Remuneration

	2018	2017
	\$	\$
Audit services:		
Auditors of the Company 2017 and 2018 - RSM	44,000	28,000
Auditors of the Company 2016 – KPMG	-	13,150
Total audit services	44,000	41,150
Other services:		
Tax compliance and advisory services -RSM	8,500	-
Tax compliance and advisory services - KPMG	-	31,337
Total other services	8,500	31,337

7. Income Tax

	2018	2017
	\$	\$
Current tax expense (benefit) – current year	-	-
Deferred tax expense – continuing operations	-	-
Total income tax expense (benefit) in income statement attributable to continuing operations	-	-
Numerical reconciliation between tax expense and pre-tax net loss:		
Loss before tax – continuing operations	(4,193,198)	(1,366,472)
Income tax using domestic tax rate of 30% (2017: 30%)	(1,257,959)	(409,942)
Change in unrecognised temporary differences	232,249	37,236
Increase in income tax expense due to:		
Non-deductible expenses	284,862	82,795
Share of net loss of equity accounted investment	-	1,550
Use of tax losses not recognised	387,849	103,702
Research and development allowance	286,245	201,123
Decrease in income tax expense due to:		
Items deductible for tax purposes	66,754	(14,464)
Income tax expense on pre-tax net loss	-	-

The deductible temporary differences and any tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available from which the Company can utilise the benefits. There was no deferred tax recognised directly in equity.

8 Dividend Franking Account

The Company has no franking credits at reporting date.

9 Cash and Cash Equivalents

	Consolidated	
	2018	2017
	\$	\$
Cash at bank and on hand	176,036	28,171
Cash classified as held for sale (refer note 32)	40,440	-
Bank short term deposits	985,422	912,846
Total cash assets	1,201,898	941,017
Total net cash assets	1,161,458	941,017

Financing arrangements

A security bond of \$9,625 was provided on a Bank Guarantee on the Company's new premises. Interest on cash at bank is credited at prevailing market rates. The weighted average interest rate at reporting date was 1.7% (2017: 1.5%).

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

10 Receivables

	Consolidated	
	2018	2017
	\$	\$
Current		
Trade and other receivables	80,670	82,080
R&D Incentives and other tax receivables	734,216	516,156
Total Current Receivables	814,886	598,236
Non-Current		
Loans to employees	10,000	15,000
Less impairment provision	(10,000)	(15,000)
Total Non-Current Receivables	-	-

11 Investments

	Consolidated	
	2018	2017
	\$	\$
Current		
Financial assets classified as available for sale	24,576	67,200
Total	24,576	67,200

Investments in equity instruments are categorised as Level 1 within the fair value hierarchy and are valued using market observable rates, being quoted ASX stock prices.

12 Other Assets

	Consolidated	
	2018	2017
	\$	\$
Current		
Prepayments	14,174	1,281

13 Intangible Assets

	Acquired Licenses	Acquired Intellectual property	Internally developed assets	Goodwill	Acquired database	Total
Gross Carrying amount						
Carrying amount at 1 July 2017	375,000	721,074	-	-	-	1,096,074
Addition, internally developed	-	-	1,171,310	-	-	1,171,310
Acquisition through business acquisition	-	-	-	855,522	84,600	940,122
Balance at 30 June 2018	375,000	721,074	1,171,310	855,522	84,600	3,207,506
Amortisation and Impairment						
Balance at 30 June 2017	(25,718)	(197,803)	-	-	-	(223,521)
Amortisation	(18,750)	(144,214)	(41,832)	-	(16,920)	(221,718)
Impairment losses	-	-	-	(855,521)	(67,680)	(923,202)
Balance at 30 June 2018	(44,468)	(342,018)	(41,832)	(855,521)	(84,600)	(1,368,438)
Carrying amount at 30 June 2018	330,533	379,057	1,128,478	-	-	1,839,065

	Acquired Licenses	Acquired Intellectual property	Internally developed assets	Goodwill	Acquired database	Total
Gross Carrying amount						
Carrying amount at 1 July 2016	375,000	721,074	-	-	-	1,096,074
Addition, internally developed	-	-	-	-	-	-
Acquisition through business acquisition	-	-	-	-	-	-
Balance at 30 June 2017	375,000	721,074	-	-	-	1,096,074
Amortisation and Impairment						
Balance at 30 June 2017	(6,967)	(53,588)	-	-	-	(60,555)
Amortisation	(18,751)	(144,215)	-	-	-	(162,966)
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2017	(25,718)	(197,803)	-	-	-	(223,521)
Carrying amount at 30 June 2017	349,282	523,271	-	-	-	872,553

(i) Licences and Technology

On the acquisition of TALI Health Pty Ltd announced on February 15th 2016, Novita Healthcare recognised intellectual property (including licenses) at a fair value of \$1,096,074. Intangibles are initially recognised at cost and amortised on a straight line basis over the period of expected benefit, less any adjustments for impairment losses. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

(ii) Internally Developed Assets

Internally developed assets included the applied R&D activities conducted on the TALI Technology in respect of the development stage of the TALI Train Project.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

13 Intangible Assets continued

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates, accounted for using the equity method. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to Cash Generating Units for the purpose of impairment testing.

As at 30 June 2018, following the annual goodwill impairment analysis, the value in the calculation showed that the goodwill and database related to the Newly acquisition should fully impaired. The impairment of \$923,202 was booked.

14 Plant and Equipment

	\$	\$
Plant and equipment - at cost	177,134	142,572
Less: Accumulated depreciation	(111,482)	(90,725)
Total Plant and equipment	65,652	51,847
Reconciliation - Plant and equipment		
Carrying amount at the beginning of the financial year	51,847	10,384
Additions	39,390	53,939
Disposals	-	(2,804)
Depreciation	(25,583)	(9,672)
Carrying amount at the end of the financial year	65,654	51,847

15 Trade and Other Payables

	Consolidated	
	2018	2017
	\$	\$
Trade creditors and accruals	604,597	200,597

The Group's exposure to currency and liquidity risk related to trade creditors and accruals is disclosed in Note 21.

16 Issued Capital

Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to one vote per share at shareholders' meetings and to receive any dividends as may be declared. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. Ordinary shares have no par value.

Options to acquire ordinary shares

During the financial year nil (2017: 3,000,000) performance rights were issued to employees under the Novita Healthcare Employee Performance Plan and 27,977,766 (2017: nil) options or performance rights were issued to directors. Movements in options for the current and prior year are provided in the following tables.

2018 Performance Rights & Options	No of Performance Right at beginning of year	Performance Rights /options Granted	Performance Rights/ options lapsed / forfeited	Performance Rights/ Options exercised	No of Performance Rights/ options at end of year
Total employee Performance Rights (Note 23)	3,000,000	-	-	(1,000,000)	2,000,000
Total Directors Performance Options Rights	-	27,977,766	(6,800,000)	-	21,177,766
Total options	3,000,000	27,977,766	(6,800,000)	(1,000,000)	23,177,766

16 Issued Capital continued

Shares	2018		2017	
	\$	Number	\$	Number
359,444,132 (2017: 204,838,430) ordinary shares, fully paid	192,495,517	328,755,037	186,137,982	100,459,128
Movements in issued capital during the year were as follows:				
Balance at the beginning of the financial year	188,263,259	204,838,430	186,137,982	100,459,128
Issue of shares pursuant to private placement	2,500,000	83,333,334	-	-
Issue of shares Issued pursuant to Shortfall	396,265	13,208,848	-	-
Issue of shares pursuant to rights issue	621,233	20,707,758	2,209,380	104,379,302
Issue of shares and Expenses of Options	-	1,000,000	-	-
Issue of shares to Grey Innovation in accordance with 18 August 2017 EGM	170,000	5,666,667	-	-
Shares issued in escrow *	920,673	30,689,095	-	-
Transaction costs relating to Rights Issue and placements	(375,510)	-	(84,103)	-
Issued capital at the end of the financial year	192,495,917	359,444,132	188,263,259	204,838,430

*As at 30 June 2018 the 30,689,095 shares issued as consideration for the acquisition of Newly Pty Ltd are were held in escrow until 29 August 2018.

17 Accumulated Losses

	Consolidated	
	2018 \$	2017 \$
Accumulated losses at the beginning of the financial year	(186,547,094)	(185,180,622)
Foreign Currency Translation Reserve Transfer	537,196	-
Net loss attributable to owners of the Company	(4,193,198)	(1,366,472)
Accumulated losses at the end of the financial year	(190,203,096)	(186,547,094)

18 Commitments

(a) Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

- Within one year	36,217	29,598
- One year or later and no later than five years	24,562	60,059
- Greater than five years	-	-
	60,779	89,657

The principal operating lease commitment other than immaterial office equipment leases was the Company's premises lease agreement which represents a commitment of \$60,779.

(b) Cancellable research and development commitments

- Within one year	1,309,209	1,072,387
- One year or later and no later than five years	110,603	-
	1,419,812	1,072,387

Amounts reflected in the above table represent contracted commitments to undertake various research and development activities studies as part of the development of the Company's project portfolio. Each commitment is cancellable without penalty subject to notice periods of up to fourteen days.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

19 Notes to the Statement of Cash Flows

Cash as at the end of the financial year in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2018	2017
	\$	\$
Cash at bank and on hand	176,035	28,171
Cash at bank held by disposal groups as held for sale	40,441	
Bank short term deposits	985,422	912,846
Cash assets (Note 9)	1,201,898	941,017
Loss after income tax	(4,193,198)	(1,366,472)
Add non-cash & non-operating items:		
- Depreciation, amortisation and loss on disposal of plant and equipment	247,303	174,808
- Shared based payment expense	356,915	11,190
- Foreign exchange (gains)/losses	6,145	1,898
- Investment (gain)/loss on revaluation	45,279	(14,400)
- Accrued interest	35,204	52,534
- Impairment of goodwill and intangibles	923,202	-
Change in working capital and provisions		
- (Increase) / decrease in Receivables	(246,036)	(290,973)
- (Increase) / decrease in Other assets	(13,409)	14,666
- Increase / (decrease) in Employee benefits	44,603	(61,699)
- Increase / (decrease) in Deferred income	491,323	-
- Increase / (decrease) in Payables	540,565	(52,725)
- Increase / (decrease) in Other liabilities	-	-
Net cash used in operating activities	(1,762,104)	(1,531,173)

Non-cash financing and investing activities

There have been no non-cash financing and investing transactions during the 2018 financial year (2017: nil) which have had a material effect on assets and liabilities of the Group.

20 Earnings Per Share

	Consolidated	
	2018	2017
	\$	\$
Basic Earnings per share (cents per share)	(1.35)	(0.73)
Diluted Earnings per share (cents per share)	(1.35)	(0.73)
a) Earnings reconciliation		
Net loss:		
Basic earnings	(4,193,198)	(1,366,472)
Diluted earnings	(4,193,198)	(1,366,472)
b) Weighted average number of shares		
Number for basic earnings per share:	Number	Number
Ordinary shares	311,380,839	187,680,189
Number for diluted earnings per share:	Number	Number
Ordinary shares	311,380,839	187,680,189
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted)	311,380,839	187,680,189

21 Financial Instruments Disclosure and Financial Risk Management

The Group has exposure to market, credit and liquidity risks from the use of financial instruments. This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group has adopted a Strategic Risk Management Framework through which it manages risks and aims to develop a disciplined and constructive control environment and action plans for risks that cannot be effectively managed through the use of controls. The Audit Committee oversees how management monitors compliance with the Company's Strategic Risk Management Framework in relation to the changing risks faced by the Group.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the financial return. No more than \$2.7m of the Group's cash resources is permitted to be invested in securities or investments other than bank and term deposits without approval by the shareholders at an AGM. In respect of listed company investments, the holding is reviewed by the Audit Committee if the market price falls by more than 10% below the initial acquisition cost.

(i) Foreign Currency risk

The Company has contracts denominated in foreign currencies, predominantly in US dollars and Euros, and may enter into forward exchange contracts where appropriate in light of anticipated future purchases and sales, conditions in foreign markets, commitments from customers and past experience and in accordance with Board-approved limits. Note 3(e) sets out the accounting treatments for such contracts. There were no hedged amounts payable or receivable in foreign currencies at reporting date (2016: nil).

(i) Foreign Currency risk (continued)

At reporting date, the Company had the following exposures to foreign currency, converted to thousands of AUD:

	2018				2017			
	GBP	USD	SGD	EURO	GBP	USD	SGD	EURO
Bank accounts	-	144	1,058	-	-	4,179	-	-
Receivables	-	-	-	-	-	72,208	-	-
Payables	-	-	1,058	-	(767)	(22,193)	(1,058)	(72,885)
Gross balance sheet exposure	-	144	1,058	-	(767)	54,194	(1,058)	(72,885)

Foreign Currency Sensitivity Analysis

A 10 % strengthening or weakening of the Australian dollar applied against the Gross balance sheet exposure in the above table in respect of the above currencies at 30 June 2018 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A sensitivity of 10% has been selected as this is considered reasonable taking in to account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements. The analysis is performed on the same basis for 2016. There is no impact on equity.

2018 Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	56	(57)	79	(82)

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

21 Financial Instruments Disclosure and Financial Risk Management continued

2017 Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	1,306	(1,595)	1,866	(2,278)

The following significant exchange rates applied during the financial year:

Currency	Average rate		Reporting date spot rate	
	2018	2017	2018	2017
GBP	0.57	0.60	0.56	0.59
USD	0.77	0.75	0.74	0.77
EURO	0.65	0.69	0.63	0.67

(ii) Interest rate Risk

The effective weighted average interest rate used to discount the Long Service Leave provision is 2.6% (2017: 2.6%). Interest earned on cash at bank is determined in accordance with published bank interest rates. The Company's exposure to interest rate risk is confined to cash assets, the effective weighted average interest rate for which is set out below.

	Note Number	Effective interest rate %	Floating interest rate \$	3 months or less \$	Non-interest bearing \$	Total \$
Financial assets:						
Cash assets – at 30 June 2018	9	1.8	410,936	-	750,521	1,161,458
Cash assets – at 30 June 2017	9	1.5	935,615	-	5,402	941,017

An increase or decrease of 0.50% in interest rates applied for 12 months to the cash balances at reporting date would have increased or decreased profit or loss by \$5,807 (2017: \$4,705), assuming that all other variables, including foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	2018 Profit and loss		2017 Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Cash at bank – variable interest rate:				
\$AUD	5,807	(5,807)	4,705	(4,705)

(a) Credit Risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. For financial assets, the credit risk exposure of the Group is the carrying amount of the asset net of any provision for doubtful debts. For the Group, from interest and capital on deposits with financial institutions.

(i) Investments (including cash)

The Group's Cash Management and Treasury Policy limits the maximum proportion of Novita Healthcare's aggregate gross cash resources that can be placed with or invested in any one counterparty, having regard to the credit risk assigned to that counterparty unless the Board determines otherwise. No more than \$2.7 million of the Group's cash resources permitted to be invested in securities or investments other than bank and term deposits without approval by the shareholders at an AGM. In respect of listed company investments, the holding is reviewed by the Audit Committee if the market price falls by more than 10% below the initial acquisition cost.

21 Financial Instruments Disclosure and Financial Risk Management continued

(a) Credit Risk (Continued)

(ii) Receivables

The Group undertakes due diligence prior to entering into any collaboration, co-development or licensing agreement with a counterparty that exposes the Group to credit risk. The Group's exposure to credit risk from receivables is shown below. No amounts are past due and/or impaired at balance date.

	Note Number	3 months or less \$	Greater than 3 months \$	Greater than 1 year \$	Total \$
Financial assets:					
Receivables – at 30 June 2018	10	813,906	1,980	-	814,886
Receivables – at 30 June 2017	10	593,987	-	4,249	598,236

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure that it will maintain sufficient liquidity to meet its liabilities when due having regard to forecast cash inflows and outflows, which in turn may be impacted by planned corporate transactions.

The Company has no lines of credit other than a Bank Guarantee of \$9,625. The Company manages its liquidity risk using existing cash reserves managed in accordance with a Cash Management and Treasury Policy. Under this policy, sufficient liquidity to meet day to day operating requirements is maintained in interest-bearing operating, "at-call" and term bank accounts. Cash balances are prepared daily and cash requirements monitored on weekly, month end reporting and annual budget/forecast cycles.

At reporting date, the Group had the following financial liability exposures.

	Note Number	3 months or less \$	Greater than 3 months \$	Total \$
Financial liabilities:				
Creditors and other accruals – at 30 June 2018	16	370,492	34,105	604,597
Creditors and other accruals – at 30 June 2017	16	200,597	-	200,597

(c) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined by the Group on the following bases:

- (i) for monetary financial assets and financial liabilities not readily traded in an organised financial market, values are determined by valuing them at the value of contractual cash flow amounts due from customers and payable to suppliers discounted as appropriate for settlements beyond 12 months;
- (ii) the carrying amounts of bank balances and deposits, trade debtors and accounts payable expected to be payable within 12

At reporting date there were no material differences between carrying values and fair values.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

21 Financial Instruments Disclosure and Financial Risk Management continued

(d) Capital Management

The Board's policy is to maintain a sufficient capital base so as to sustain investor, creditor and market confidence and to facilitate the future development of the business. As noted in Note 2 (b), in order to meet forecast operating cash requirements, the Company may need to raise funds from other sources which may include raising capital or securing debt facilities.

22 Related Parties

Disclosures of compensation policies, service contracts and details of individual directors and executive's compensation are included in the Remuneration Report section of the Directors' Report on pages 9 to 14.

Directors and Key Management Personnel Compensation

The Directors and Key Management Personnel compensation included in "employee expenses" are as follows:

Nature of compensation	2018	2017
	\$	\$
Short-term employee benefits	512,841	371,156
Performance benefits	-	-
Other short term benefits	-	-
Post-employment benefits	37,829	26,313
Termination benefits	-	-
Share-based payments	356,915	11,190
Consulting fees	-	-
Total compensation	907,585	408,659

Key Management Personnel Transactions

Directors of the Company control 8% of the voting shares of the Company. A company associated with a director has 7% share in the Company at balance date.

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The aggregate value of transaction related to key management personnel and entities over which they have control or influence were as follows:

	Consolidated	
	2018	2017
	\$	\$
Product development and software engineering services *	649,881	534,610

* During the period the Group entered into a contract with Grey Innovation Pty Ltd, a company controlled by Non-Executive Director Jefferson Harcourt, for the development of the TAL1 Train portal that was fundamental to the final stage of software development for successful commercialisation of the TAL1 technology. The total contracted value was \$782,300. 5,666,667 shares were issued at an issue price of \$0.03 per share being part consideration for the contract, a remaining amount of \$612,300

was paid in instalment once key deliverables have been achieved and reviewed. An additional amount of \$37,581 was paid for support services during the period. The contract terms are based on market rates for these types of services.

22 Related Parties continued

In 2017, the Group entered into a contract with Grey Innovation Pty Ltd, a company controlled by non-executive director Jefferson Harcourt, to undertake product development, software engineering, and regulatory compliance services for the development and commercialisation of the TALI Technology. The contract terms are based on market rates for these types of services and amounts were paid monthly for the duration of the contract once key deliverables had been achieved and reviewed.

An independent review was conducted during the period and it was concluded that the contract terms were fair and reasonable in scope and were based on market rates for these types of services.

Other Key Management Personnel Transactions with the Group

No Key Management Personnel member has entered into a material contract with the Group during either the 2018 or 2017 financial years and there were no material contracts with, amounts receivable from or payable to, interests involving directors or executives at period end. The value of transactions during the year with entities related to Directors included in the financial statements was \$649,881.

Outstanding Balances with Other Related Parties

There are no are outstanding at the reporting date, after providing for impairment, in relation to transactions with related parties other than KMPs:

No provision for doubtful debts has been raised against amounts receivable from other related parties.

Loans and Other Transactions with Key Management Personnel

There were no loans made to Directors or Executives or other loan movements during the 2018 year.

During the 2017 financial year a loan was provided to Dr Kirk (\$15,000). The loan is interest free and has a three year term.

Other Related Party Transactions

Other than the transactions disclosed above, there were no transactions with other related parties during either the 2018 or 2017 financial years.

23 Share Based Payments

On 30 October 2017 shareholder approval was given to the issue of 6,800,000 options to the Chairman at the time, Mr B Higgins and 3,400,000 each to Mr J Harcourt and Mr M Simari. These options were issued with an exercise price of \$0.04, and a total transaction value of \$257,636 as identified in key management personnel disclosures (note 16) and the remuneration report in the Directors Report.

On 3 October 2017, 14,377,766 options were issued to the CEO at an issue price of \$0.03 per share and a total transactional value of \$167,525 as identified in key management personnel disclosures (Note 16) and the remuneration report in the Directors Report.

On 1 July 2017 3,000,000 performance rights were issued to key management personnel at an issue price of \$0.22 per share. The performance rights will vest at 1,000,000 performance rights per tranche per year over 3 years. For the current year, a total transactional value of \$11,190 was identified in key management personnel disclosures (note 16) and the remuneration report in the directors' report.

A performance right and share option plan has been established by the consolidated entity and approved by shareholders at the 2017 Annual General Meeting, whereby the consolidated entity may, at the discretion of the Board, performance rights and grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The performance rights and or options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

23 Share Based Payments continued

Set out below are summaries of Performance Rights and options granted under the plan:

2018

Grant Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired/forfeited other	At the end of the year
01/07/2017	\$0.22	3,000,000	-	1,000,000	-	2,000,000
03/10/2017	\$0.30	-	14,377,766	-	-	14,377,766
21/11/2017	\$0.30	-	13,600,000	-	(6,800,000)	6,800,000
		3,000,000	27,977,766	1,000,000	(6,800,000)	23,177,766

Weighted average exercise price \$0.22 (\$0.30) (\$0.30) (\$0.30) (\$0.30)

2017

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired/forfeited other	Balance at the end of the year
01/07/2017	31/12/2019	\$0.22	-	\$3,000,000	\$0.00	\$0.00	\$3,000,000
				\$3,000,000	\$0.00	\$0.00	\$3,000,000

Weighted average exercise price \$0.00 \$0.22 \$0.00 \$0.00 (\$0.22)

Set out below are the Performance Rights and options exercisable at the end of the financial year:

Grant Date	Expiry Date	2018 Number	2017 Number
01/07/2017	31/12/2019	2,000,000	3,000,000
03/10/2017	03/10/2022	14,377,766	-
21/11/2017	21/11/2022	6,800,000	-
		23,177,766	-

The weighted average remaining contractual life of performance rights and options outstanding at the end of the financial year was 4.25 years (2017: 2 years)

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follow:

Grant Date	Expiry Date	Share price at Grant date	Exercise price	Expected Volatility
03/10/2017	03/10/2022	\$0.33	\$0.30	70%
21/11/2017	21/11/2022	\$0.40	\$0.30	70%

Novita Healthcare Long Term Incentive Plan

The purpose of the Novita Healthcare Long Term Incentive Plan (LTI) is to provide long term rewards that are linked to shareholder returns. Under the LTIP, selected executives may be offered a number of performance rights (Right) and share options. Each Right provides the entitlement to acquire one Novita share at nil cost to the satisfaction of performance hurdles.

The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured by an independent third party at grant date and recognised over the three-year vesting period during which the employees become unconditionally entitled to the performance rights.

24 Contingent Liabilities

The Group is not aware of any contingent liabilities or contingent assets capable of having a material impact on the Group.

25 Employee Benefits

Aggregate liability for employee benefits, including on-costs:

	Consolidated	
	2018	2017
	\$	\$
Current – Employee benefits provision:		
Annual leave and long service leave entitlements	104,385	66,209
Non-current – Employee benefits provision:	2,353	777
Total employee benefits	106,938	68,985

At-risk incentive performance payments

Compensation for all employees other than non-executive directors includes an at-risk performance component. Provision has been made at reporting date for the amount payable in respect of performance for the financial year as measured against agreed criteria set on an employee by employee basis.

A reconciliation of movement for the year for all employee provisions is provided in the following table.

	Annual Leave	Long service leave	Performance incentive	Total
	\$	\$	\$	\$
Balance at the beginning of the year	43,699	23,286	-	66,985
Provision utilised	(19,075)	-	-	(19,075)
Charges raised	55,251	3,777	-	59,028
Balance at the end of the year	79,875	27,063	-	106,938

The present values of employee entitlements not expected to be settled within twelve months of reporting date have been calculated using the following weighted averages:

	2018	2017
Assumed rate of annual increase in salary and wages	2.0%	2.0%
Average discount rate	2.6%	2.6%
Settlement term (years)	7	7
Number of employees at year end (excluding non-executive directors)	13	2

26 Events Subsequent to Balance Date

On 20 July 2018, the Group announced:

- The successful \$2.7 million placement at \$0.031 per share to fund the commercialisation and growth of TALi. The equity raising comprised of the issue of approximately 89,861,033 new shares at an issue price of \$0.031 per share. The offer price represents a discount of 6.06% to the last close and 5-day volume weighted average price ("VWAP"). The placement will fully utilise the Company's placement capacity under ASX Listing Rules 7.1 (capacity and used 53,916,620 shares) and 7.1A (capacity and used 35,944,413 shares). The net proceed of the placement will be used for the direct to consumer marketing and sales activities for TALi Train, the International expansion for TALi Train, the initial TALi Detect pilot programs and for then HealthcareLink capital subscription as part of divestment of Newly Pty Ltd
- Entering into a Heads of Agreement to sell Newly to HealthcareLink (www.healthcarelink.com.au). HealthcareLink (HCL) is an award winning, online marketplace for jobs and careers in the healthcare and medical industry. The combined entity will create a powerful human resource placement solution in the healthcare sector, driven by deep domain experience of the combined teams and a unique SaaS technology offering.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

26 Events Subsequent to Balance Date continued

- In anticipation of concluding the sale of Newly, as announced on 20 July 2018, the Company has agreed with the vendors of the Newly business to the early release from voluntary escrow of the 30,689,095 fully paid ordinary shares issued on 19 July 2017 as part consideration for the acquisition of Newly Pty Ltd. The original release date was 19 January 2019 and the full 30,689,095 ordinary shares were released from escrow on 29 August 2018.

In the interval between the end of the financial year and the date of this report no other item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

27 Dividends

No dividends were paid or proposed in the current or prior financial years.

28 Segment Reporting

Information about reportable segments

The Group comprises the following two distinct business segments:

- Research and Development – the operation of conducting health and medical research and development for commercialisation.
- Healthcare/Workforce Management – developing and provides recruitment solutions in aged and community care.
- Investments – investing of excess funds in approved instruments including Australian equities.

2018	Research & Development	Healthcare/Workforce Management	Investments	Total
	2018 \$	2018 \$	2018 \$	2018 \$
External revenues	490,781	66,550	-	557,331
Inter-segment revenue	-	-	-	-
Interest revenue	34,530	3	-	34,533
Finance expense	-	-	-	-
Depreciation and amortisation and loss on disposal	229,101	18,202	-	247,303
Reportable segment profit / (loss) before tax	(4,177,772)	(72,951)	57,525	(4,193,198)
Reportable segment total assets	3,895,237	-	24,576	3,919,813
Reportable segment total liabilities	1,202,858	56,029	-	1,258,887

The aggregate of the assets, liabilities and profits for each segment in the Group Total

2017	Research & Development	Healthcare/Workforce Management	Investments	Total
	2017 \$	2017 \$	2017 \$	2017 \$
External revenues	566,156	-	-	566,156
Inter-segment revenue	-	-	-	-
Interest revenue	16,205	-	-	16,205
Finance expense	-	-	-	-
Depreciation and amortisation and loss on disposal	174,805	-	-	174,805
Reportable segment profit / (loss) before tax	(1,382,808)	-	16,337	(1,366,472)
Reportable segment total assets	2,479,934	-	67,200	2,547,134
Reportable segment total liabilities	282,583	-	-	282,583

28 Segment Reporting continued

Reconciliations of information on reportable segments to IFRS measure

	2018 \$	2017 \$
Revenues		
Total revenue for reportable segments	557,331	566,156
Revenue for other segments	-	-
Consolidated revenue	557,331	566,156
Profit before Tax		
Total profit before tax for reportable segments	(4,193,198)	(1,366,472)
Profit before tax for other segments	-	-
Consolidated profit before tax from continuing operations	(4,193,198)	(1,366,472)
Assets		
Total assets for reportable segments	3,919,813	2,547,134
Assets for other segments	-	-
Equity accounted investees	-	-
Other unallocated amounts	-	-
Consolidated total assets	3,919,813	2,547,134
Liabilities		
Total liabilities for reportable segments	1,258,887	266,807
Liabilities for other segments	-	-
Other unallocated amounts	-	-
Consolidated total liabilities	1,258,887	266,807

29 Group Entities

Significant subsidiaries for the year ended:

	Country of Incorporation	Ownership interest %	
		2018	2017
AVI Capital Pty Ltd	Australia	100	100
TALI Health Pty Ltd	Australia	100	100
Newly Pty Ltd	Australia	100	-

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

30 Parent entity Disclosures

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was Novita Healthcare Limited.

	2018 \$	2017 \$
Results of parent entity		
Profit/(Loss) for the period	(3,445,914)	(1,307,184)
Other comprehensive income	-	-
Total comprehensive income for the period	(3,445,914)	(1,307,184)
Financial position of parent entity at year end		
Current assets	3,427,992	1,492,207
Total assets	4,180,099	2,464,628
Current liabilities	517,832	267,168
Total liabilities	938,719	282,945
Total equity of the parent entity:		
Share capital	192,411,954	188,263,260
Retained earnings	(189,170,574)	(186,081,576)
Total equity	3,241,380	2,181,684

31 Business Combination

Newly Pty Ltd

Purchase Consideration

Purchase consideration – cash	-
Ordinary shares in NHL 30,689,095 @ \$0.03 per share*	920,673
	920,673

Fair value and carry value of net assets acquired

Net Working Capital	(19,449)
Database	84,600
Goodwill on consolidation	855,522
Total identifiable net assets acquired	920,673
Amortisation of Database	(16,920)

On 21 July 2017, the group acquired 100% of the equity instruments of Newly Pty Ltd, an Australian company involved in development of healthcare technology. No cash consideration was paid.

*The final consideration paid for Newly comprises:

- An upfront purchase consideration of \$920,673 (being agreed purchase prices less settlement adjustments) in fully paid ordinary shares in Novita at an issue price of \$0.03. The new shares issued were subject to an 18-month escrow period from the date of issue. In anticipation of concluding the sale of Newly as announced 20 July 2018, the company agreed with the vendors of the Newly business to the early release on 29 August 2018.

The related impairment loss of \$923,202 in 2018 was included within impairment of non-financial assets.

Impact of acquisition on the results of the Group

The acquisition of Newly Pty Ltd occurred on 21 July 2017. The revenue and profit/(loss) of the Group for the year ended 30 June 2018 reflects trading for the full 12 months to 30 June 2018 of the acquired business.

32 Net Current Liabilities – Assets and Liabilities of Disposal Groups Classified as Held for Sale

A Heads of Agreement was signed by the Company in July 2018 relating to the sale of Newly to HealthcareLink. An assessment has been made that the sale is highly probable and as such the net assets have been disclosed separately.

	2018	2017
Current Assets	\$	\$
Cash and cash equivalents	40,440	-
Trade and other receivables	29,387	-
Other current assets	515	-
Property, plant and equipment	4,846	-
Other non-current assets	10,000	-
Total Current Assets	85,188	-
	2018	2017
Current Liabilities	\$	\$
Trade payables	130,108	-
Other payables	-	-
Accrued expenses	6,458	-
Provisions – employee benefits	4,651	-
Total Current Liabilities	141,217	-
Total Net Assets of disposal groups held for sale.	(56,029)	-

33 Deferred Income

	2018	2017
	\$	\$
R&D Incentive		
Current	72,789	-
Non-Current	418,534	-
Total Deferred Income	491,323	

Due to the deferral of the TALI Development Cost Intangible Asset amortisation as indicated in Note 13, the related deferred R&D grant income has been brought into account over the amortisation period resulting in \$242,893 of R&D grant income being recognised in the statement of Financial Performance for the year ended 30 June 2018. \$491,323 of R&D grant income relating to future periods has been classified as Deferred Income.

34 Finance Income and Finance Costs

	Consolidated	
	2018	2017
	\$	\$
Recognised in profit or loss		
Interest income on cash and cash equivalents	34,533	16,205
Net gain on disposal of available -for-sale financial assets transferred from equity	45,278	-
Finance income	79,811	16,205
Net change in fair value of financial assets at fair value through profit or loss:		
Available for sale	11,833	14,400
Impairment charge	-	-
Finance income (costs)	11,833	14,400
Net finance income/(costs) recognised in profit or loss	91,644	30,605

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

34 Finance Income and Finance Costs continued

The Group's investment in equity interests are shares listed on the ASX and are currently actively traded on that market. The fair value of investments in equity instruments is based on the market price quotation at 30 June 2018. As such, these financial assets are considered to be level 1 financial assets in the fair value hierarchy.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2018

- 1 In the opinion of the directors of Novita Healthcare Limited ('the Company'):
 - (a) the consolidated financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 9 to 46, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and
 - (c) there are reasonable grounds to believe that the Company and the group entities will be able to pay its debts as and when they become due and payable.

- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and Financial Controller for the financial year ended 30 June 2018.

Dated at Melbourne this 31st day of August 2018.

This report is made with a resolution of the directors.



Mark Simari
Chairman

INDEPENDENT AUDITOR'S REPORT

FOR YEAR ENDED 30 JUNE 2018



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INDEPENDENT AUDITOR'S REPORT To the Members of Novita Healthcare Limited

Opinion

We have audited the financial report of Novita Healthcare Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters (Continued.)

Key Audit Matter	How our audit addressed this matter
<p>Acquisition Accounting Refer to Note 31 in the financial statements</p>	
<p>During the year ended 30 June 2018, Novita Healthcare acquired Newly Pty Ltd.</p> <p>The Acquisition Date was 21 July 2017 at which time consideration to the value of \$920,673 in Novita Healthcare Limited shares were issued to be held in escrow for a period of 18 months. The shares issued account for 100% of the purchase consideration.</p> <p>At the date of acquisition, Newly Pty Ltd's fair value of assets acquired was a negative net asset position of \$19,447, resulting in a goodwill on consolidation (before any identifiable intangible assets) of \$940,122. The goodwill on consolidation was reduced by \$84,600 to account for the recognition of an identifiable intangible asset, being Newly's Candidate Database.</p> <p>This was considered a key audit matter as the accounting for the transaction is complex, and involves significant judgements in applying the accounting standards. This includes the recognition and valuation of consideration paid, the identification and valuation of intangible assets, and the determination of the fair value of the tangible assets acquired.</p>	<p>Our procedures to assess the accounting treatment of the acquisition included:</p> <ul style="list-style-type: none"> • Obtaining the share purchase agreement and other associated documents and ensuring that the transaction has been accounted for in compliance with AASB 3 Business Combinations. • Testing the initial consideration to the signed purchase agreement; • Assessing the appropriateness of the fair values of the transaction; • Assessing the consolidated entity's determination of the fair value of the remaining assets and liabilities, having regard to the completeness of assets and liabilities identified, and the reasonableness of any underlying assumptions in their respective valuations, including useful lives of the intangible and tangible assets acquired; and • Reviewing the disclosures in Note 31 to the financial statements in order to assess compliance with the disclosure requirements of AASB 3.
<p>Impairment of Intangible Assets Refer to Note 13 in the financial statements</p>	
<p>The Group has intangible assets, excluding goodwill, written down value balance of \$1,839,065.</p> <p>The first of these intangibles arose from the identifiable intangible assets acquired from the purchase of Tali Health Pty Ltd on 15 February 2016. The intangible asset consists of a Health licence and intellectual property relating to the TALI technology. Both assets are being amortised over their expected useful economic lives, and are therefore subject to annual review to determine whether any indicators of impairment exist.</p> <p>The other intangible asset consists of development costs capitalised related to the 'TALI Train' product which Novita Healthcare has been developing over the course of FY18.</p> <p>We identified this area as a Key Audit Matter due to the size of the intangible assets balances and the management judgement required to assess whether any indicators of impairment exist.</p> <p>Impairment indicators considered included:</p> <ul style="list-style-type: none"> • Any significant decline in market value; • Adverse changes in technology or market conditions; • Review of internal reporting assessing likely revenue to be generated; and • Comparison of the book value of the Group's net assets to the ASX market capitalisation for the Group. 	<p>Our audit procedures in relation to management's indicators of impairment assessment included:</p> <ul style="list-style-type: none"> • Assessing management's review of any indicators of impairment, and their determination that no indicators of impairment were identified; and • Recalculate the market capitalisation at balance date and compare to the book value of the Group's net assets.

Key Audit Matters (Continued.)

Impairment of Goodwill Refer to Note 13 in the financial statements	
<p>The consolidated entity has Goodwill of \$855,520 relating to the acquisition of Newly Pty Ltd in July 2017.</p> <p>This was considered a Key Audit Matter due to the materiality of the Goodwill balance, and because the directors' assessment of the 'value in use' of the cash generating unit ("CGU") involves judgements about the future underlying cash flows of the business and the discount rates applied to it.</p> <p>For the year ended 30 June 2018 management performed an impairment assessment of the goodwill balance by:</p> <ul style="list-style-type: none"> calculating the value in use for the CGU using a discounted cash flow model. This model used cash flows (revenues, expenses and capital expenditure) for the CGU for 5 years, with a terminal growth rate applied to the 5th year. The cash flows were then discounted to net present value using the Company's weighted average cost of capital (WACC); and comparing the resulting value in use of the CGU its respective book value. <p>Management have concluded that the Goodwill on Consolidation is to be fully impaired at 30 June 2018.</p>	<p>Our audit procedures in relation to management's impairment assessment involved:</p> <ul style="list-style-type: none"> Assessing the valuation methodology used; Challenging the reasonableness of key assumptions, including the cash flow projections, exchange rates, discount rates, and sensitivities used; and Checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.
Going concern Refer to Note 3 in the financial statements	
<p>We identified going concern as a Key Audit Matter due to the Group's operating loss for the year ended 30 June 2018, and the capabilities of the Group to cover the operating costs over the next 12 months.</p> <p>For the year ended 30 June 2018 Management performed an assessment of the Group's ability to continue as a going concern. This included preparation of cash flow projections up to 31 August 2019 for the Group.</p> <p>Subsequent to year-end, the Group obtained additional funding in the form of a \$2.6m share capital raising to cover operating costs over the next 12 months. This amount was incorporated into the forecast prepared.</p>	<p>Our audit procedures in relation to going concern included:</p> <ul style="list-style-type: none"> We reviewed the current financial position of the Group and assessed a number of key ratios; We sighted bank statements from July 2018 showing the receipt of \$2.8 million in additional capital raised from a placement to institutional and sophisticated investors. We reviewed management's forecasts for the 12 months from the date of signing the financial statements, including assessing the assumptions used.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Novita Healthcare Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Dated: 31 August 2018
Melbourne, Victoria

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Novita Healthcare Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council published guidelines (3rd edition) as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Novita Healthcare Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

An overview of the Company's corporate governance structures and practices is presented in the 2018 Corporate Governance Statement which is published on the Company's website www.novitahealthcare.com.au

SHAREHOLDER INFORMATION

Share Capital

As at 21 August 2018 the share capital of the company was:

Issued and paid up capital: 449,305,165 ordinary shares.

Number

Number of shares quoted on the Australian Securities Exchange Limited 449,305,165. Of these shares a total of 30,689,095 were subject to voluntary escrow agreements, however in anticipation of conducting the sale of Newly the Company has agreed with the original vendors of the Newly business to the early release from voluntary escrow of these shares issued. The original release date was 19 January 2019 and the full 30,689,095 ordinary shares were released from escrow on 29 August 2018.

Novita Healthcare Limited ordinary shares have been traded on ASX Limited since 23 September 2004 (former name Avexa Limited) and trade under the ASX code NHL. Melbourne is the Home Exchange. The Company's securities are not quoted on any other stock exchange.

Twenty Largest Shareholders as at 21st August 2018

Name	Ordinary Shares Held	Proportion of Total Shareholding
Mr Peter Diamond & Mrs Diana Diamond	50,000,000	11.13%
Megabay Holdings Pty Ltd	19,028,265	4.24%
Mountford Phi Pty Ltd	15,740,437	3.50%
Grey Innovation Holdings Pty Ltd	15,242,821	3.39%
BNP Paribas Nominees Pty Ltd	14,355,179	3.19%
DAK Drafting Services Pty Ltd	11,000,000	2.45%
Three Zebras Pty Ltd	8,787,610	1.96%
GFS Securities Pty Ltd	7,443,696	1.66%
Moonah Capital Pty Ltd	7,360,714	1.64%
H Kemp Investments Pty Ltd	6,407,883	1.43%
M & Y Rose Investments Pty Ltd	6,282,057	1.40%
Merrill Lynch (Australia) Nominees Pty Limited	6,112,595	1.36%
Toner Holdings Pty Ltd	5,274,432	1.17%
Boltwag Pty Ltd	5,225,000	1.16%
Egea Pty Ltd	4,600,000	1.02%
Mr John Nathan Kettle	4,515,000	1.00%
Mr Timothy Toner	4,501,082	1.00%
A C N 154 894 256 Pty Ltd	4,333,333	0.96%
UBS Nominees Pty Ltd	4,300,000	0.96%
Mr Robert Jesse Hunt	4,258,592	0.95%
Totals for top 20	204,768,696	45.57%
Total issued capital	449,305,165	100.00%

SHAREHOLDER INFORMATION

Substantial Shareholders

The following information is extracted from substantial shareholding notices given to the Company up to 21 August 2018 by shareholders who hold relevant interests in more than 5 per cent of the Company's voting shares.

Name	Ordinary Shares Held	Proportion of Total Shareholding
Mr Peter Diamond & Mrs Diana Diamond	50,000,000	11.13%
Grey Innovation Holdings Pty Ltd	25,322,110	5.64%

Distribution of Shareholders as at 21st August 2018

Range	Holders	Ordinary Shares Held	Proportion of Total Shareholding
1 – 1,000	389	120,886	0.03%
1,001 – 5,000	221	601,831	0.13%
5,001 – 10,000	78	589,563	0.13%
10,001 – 100,000	472	19,230,077	4.28%
100,001 and over	336	428,762,808	95.43%
Total shareholders	1,496	449,305,165	100.00%

The number of shareholders as at 21 August 2018 with less than a marketable parcel of \$500 worth of shares, based on the market price as at that date (\$0.034 per share), was 731, with total 1,816,597, amounting to 0.40% of Total Shareholding.

Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3 the Company's 2018 Corporate Governance Statement can be found at novitahealthcare.com.au/investors-centre/governance.

Voting Rights

The voting rights attached to ordinary shares are set out in Rule 5(f) and 40 of the Company's Constitution. In broad summary, but without prejudice to the provisions of those Rules, each shareholder present at a general meeting in person or by duly appointed representative, proxy or attorney.

- on a show of hands, has one vote except if a shareholder has appointed more than one person as a representative, proxy or attorney, in which case none of those persons is entitled to vote or if a person is entitled to vote in more than one capacity, that person is entitled to only one vote; and
- on a poll, has one vote for each fully paid share held and for each other share held, has a vote in respect of the share equivalent to the proportion that the amount paid on that share is of the total amounts paid and payable on that share at the time a poll is taken but no amount paid on a share in advance of calls shall be treated as paid on that share.

As at 28 August 2017, there were no options over nil unissued ordinary shares granted to employees under the ESOP and nil issued to Directors, There are no voting rights attached to either the options or the underlying unissued ordinary shares.

Officers

Managing Director: Glenn Smith

Company Secretary: John Osborne – Appointed 11 October 2016

Registered Office

Novita Healthcare Limited
Suite G02
1 Crescent Road
Glen Iris, Victoria 3146 Australia
Telephone +61 3 9192 9937 / 1300 082 013
Website www.novitahealthcare.com.au
Email info@novitahealthcare.com.au

Share Registry

Automic Registry Services
Level 3
50 Holt Street
Surry Hills, New South Wales 2010 Australia
Telephone 1300 288 664
Website www.automic.com.au
Email hello@automic.com.au

Securityholder Information

You can gain access to your securityholding information in a number of ways. The details are managed via the Company's Registrar, Automic Registry Services, and can be accessed as outlined below. Please note your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) is required for access.

Investor Phone Access

Provides telephone access, call 1300 288 664 to speak to an operator.

Internet Account Access

Securityholders can access their details via the internet. Automic provides access via its InvestorShare online service. Go to <https://investor.automic.com.au/#/home> to view your information.

Changing Shareholder Details

Changes to your name or address must be advised in writing to Automic Registry Services. If you are sponsored by a broker, your notice in writing must be sent to your sponsoring broker.

Novita Healthcare Limited Publications Mailing List

The Annual Report is a major source of information about the Company. Shareholders who do not wish to receive this publication can assist the Company to reduce costs by advising Automic Registry Services in writing or doing so online using <http://investor.automic.com.au/#/home>. Shareholders will continue to receive all other shareholder information, including the Notice of Annual General Meeting and Proxy Form. The Annual Report. Other releases and general Company information are also available on the Company's website at www.novitahealthcare.com.au

Investor Relations

If you have any questions or issues regarding your shareholding, please contact Automic Registry Services on 1300 288 664.



Novita Healthcare Limited ABN 53 108 150 750

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www.novitahealthcare.com.au



For care and support professionals