NEXUS6 LIMITED

(1155872)

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2014

pwc

Independent Auditors' Report
to the shareholders of Nexus6 Limited

Report on the Financial Statements
We have audited the financial statements of Nexus6 Limited on pages 3 to 18, which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditors we have no relationship with, or interests in, Nexus6 Limited.

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Independent Auditors' Report

Nexus6 Limited

Opinion

In our opinion, the financial statements on pages 3 to 18:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) give a true and fair view of the financial position of the Company as at 31 March 2014, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
12 August 2014

Auckland

Statement of Comprehensive Income
for the year ended 31 March 2014

	Notes	March 2014 $	March 2013 $
Continuing Operations			
Sales		513,842	696,328
Cost of sales		(350,865)	(238,955)
Gross profit		162,977	457,373
Grants income		162,845	44,502
Research and development costs		(1,389,405)	(354,059)
Sales and marketing costs		(355,883)	(67,073)
Administrative expenses		(1,021,130)	(253,610)
Operating profit		(2,440,596)	(172,867)
Interest income		87,297	17,270
Interest expense		(4,621)	(16,774)
Finance income (cost) - net		82,676	496
Loss before income tax	*3*	(2,357,920)	(172,371)
Income tax expense	*4*	-	-
Total comprehensive loss		$ (2,357,920)	$ (172,371)
Attributable to:			
Equity holders of Nexus6 Limited		(2,357,920)	(172,371)
		$ (2,357,920)	$ (172,371)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 31 March 2014

ASSETS	Notes	March 2014 $	March 2013 $
Current assets			
Cash and cash equivalents	5	2,015,145	4,338,157
Trade and other receivables	6	591,438	65,231
Inventories	7	191,186	42,216
Prepayments		10,378	8,180
Total current assets		2,808,147	4,453,784
Non-current assets			
Property, plant and equipment	8	172,710	61,000
Total assets		$ 2,980,857	$ 4,514,784
LIABILITIES			
Current liabilities			
Trade and other payables	9	296,742	153,458
Income received in advance		370,047	-
Total current liabilities		666,789	153,458
EQUITY			
Share capital	10	6,512,361	6,388,757
Share option compensation reserve		452,187	265,129
Accumulated deficit		(4,650,480)	(2,292,560)
Total equity		2,314,068	4,361,326
Total liabilities & equity		$ 2,980,857	$ 4,514,784

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

For and on behalf of the Board of Directors who authorised the issue of these financial statements on 12 August 2014.

Dr Doug Wilson
Chairman

Ms Maxine Simmons
Director

Statement of Changes in Equity
for the year ended 31 March 2014

	Share Capital $	Share Option Compensation Reserve $	Accumulated Deficit $	Total Equity $
Equity as at 1 April 2012	$ 1,943,257	$ 236,201	$ (2,120,189)	$ 59,269
Comprehensive loss for the year	-	-	(172,371)	(172,371)
Transactions with owners:				
Shares issued in private placements	4,622,738	-	-	4,622,738
Shares issued on option exercise	27,860	-	-	27,860
Share issue costs expensed	(205,098)	-	-	(205,098)
Share option grants for services	-	28,928	-	28,928
Equity as at 31 March 2013	$ 6,388,757	$ 265,129	$ (2,292,560)	$ 4,361,326
Comprehensive loss for the year	-	-	(2,357,920)	(2,357,920)
Transactions with owners:				
Shares issued in private placements	42,999	-	-	42,999
Shares issued on option exercise	82,285	-	-	82,285
Share issue costs expensed	(1,680)	-	-	(1,680)
Share option grants for services	-	187,058	-	187,058
Equity as at 31 March 2014	$ 6,512,361	$ 452,187	$ (4,650,480)	$ 2,314,068

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 31 March 2014

	Notes	March 2014 $	March 2013 $
Cash flows from operating activities:			
Receipts from customers		400,113	820,307
Receipts from grants		198,430	8,917
Interest received		87,297	17,270
Interest paid		(4,621)	(16,774)
Resident withholding tax paid		(24,308)	(3,376)
Payments to employees		(960,534)	(435,109)
Payments to suppliers		(2,005,897)	(408,895)
Net cash used in operating activities		(2,309,520)	(17,660)
Cash flows from investing activities:			
Purchase of property, plant and equipment	8	(142,653)	(69,105)
Net cash used in investing activities		(142,653)	(69,105)
Cash flows from financing activities:			
Proceeds from the issue of shares	10	42,999	4,622,738
Proceeds from the exercise of options	10	82,285	27,860
Drawdowns on shareholder loan	12	-	220,991
Repayments on shareholder loan	12	-	(244,991)
Payment of share issue expenses	10	(1,680)	(205,098)
Net cash provided from financing activities		123,604	4,421,500
Net (decrease) increase in cash		(2,328,569)	4,334,735
Cash at the beginning of the year		4,338,157	7,274
Effect of exchange rate changes on cash balances		5,557	(3,852)
Cash at the end of the year	5	$ 2,015,145	$ 4,338,157
Reconciliation with loss after income tax:			
Loss after income tax		$ (2,357,920)	$ (172,371)
Non-cash items requiring adjustment:			
Depreciation of property, plant and equipment		30,943	8,939
Loss (gain) on disposal of property, plant and equipment		-	2,107
Share option compensation expense		187,058	28,928
Foreign exchange (gain) loss		(1,485)	6,055
Changes in working capital:			
Trade and other receivables		(550,201)	64,252
Inventories		(148,970)	(27,673)
Trade and other payables		144,806	72,103
Income in advance		386,249	-
Net cash used in operating activities		$ (2,309,520)	$ (17,660)

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
for the year ended 31 March 2014

1. General information

Nexus6 Limited (the Company or Nexus6) is a private, commercial-stage, digital health company dedicated to improving the management of chronic respiratory disease such as asthma and COPD. Nexus6 designs and supplies Smartinhaler™ devices and an accompanying smartphone, tablet, desktop computer and cloud-based software platform. Smartinhalers are small, electronic devices that monitor and enhance adherence to prescription medications administered by inhalation.

Nexus6's operations are predominantly based in New Zealand. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Suite 205, 8 Commerce Street, Auckland, New Zealand.

These financial statements have been approved for issue by the Board of Directors on 12 August 2014.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation and adoption of NZ IFRS
These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). These financial statements are the Company's first to comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

(i) NZ IFRS – reduced disclosure regime
The Company has adopted External Reporting Board Standard A1 "Accounting Standards Framework (For-profit Entities Update)" (XRB A1). For the purposes of complying with NZ GAAP, the Company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime (NZ IFRS RDR)) on the basis that it does not have public accountability. The Company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

(ii) Statutory base
Nexus6 Limited is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

(iii) Historical cost convention
These financial statements have been prepared under the historical cost convention as modified by certain policies below.

(iv) Critical accounting estimates
The preparation of financial statements in conformity with NZ IFRS RDR requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies such as in relation to impairment, if any, of property, plant and equipment set out in note 8, and non-recognition of tax losses as set out in note 11. Actual results may differ from those estimates.

(b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning 1 April 2011 in accordance with NZ IFRS 1 and have a material impact on the Company:

XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Company is eligible to and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR). In adopting NZ IFRS RDR, the Company has taken advantage of a number of disclosure concessions. Note 16 discloses the impact of the transition to NZ IFRS on the Company's reported financial position, financial performance and cash flows reported for the years ended 31 March 2012 and 2013 prepared under NZ GAAP (but not in compliance with NZ IFRS).

(c) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company's functional currency and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. Amounts received from customers before these revenue recognition criteria are met are deferred and recorded as Income Received in Advance until such time as the criteria for recognition as revenue are met.

(i) Sales of devices

The Company manufactures and sells a range of inhaled medication monitoring devices and related equipment. Sales of products are recognised when they have been delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the sales are made with a credit term of 30-60 days.

(ii) Sales of licences and subscriptions to software

The Company sells licences and subscriptions to its device customers to enable access to data collected by purchased devices. Revenue is recognised in the accounting period to which the licence or subscription relates.

(iii) Grants

Grants received are recognised in the Statement of Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Research and development
Research costs include direct and directly attributable overhead expenses for product invention and design. Research costs are expensed as incurred.

When a project reaches the stage where it is reasonably certain that future expenditure can be recovered through the process or products produced, development expenditure is recognised as a development asset when:

- a product or process is clearly defined and the costs attributable to the product or process can be identified separately and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- the existence of a market for the product or process can be demonstrated and the Company intends to produce and market the product or process;
- adequate resources exist, or their availability can be reasonably demonstrated to complete the project and market the product or process.

In such cases the asset is amortised from the commencement of commercial production of the product to which it relates on a straight-line basis over the years of expected benefit. Research and development costs are otherwise expensed as incurred.

(f) Employee benefits
(i) Wages, salaries and annual leave
Liabilities for wages and salaries, bonuses and annual leave expected to be settled within 12 months of the reporting date are recognised in accrued liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Share-based payments
The Company operates an equity-settled share option plan and awards certain employees, directors and consultants share options, from time to time, on a discretionary basis. The fair value of the services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share option compensation reserve over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest and become exercisable. It recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(g) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(h) Income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company generated taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(i) Goods and Services Tax (GST)
The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(j) Impairment of non-financial assets
Assets that are subject to amortisation are reviewed whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying amount of a long-lived asset is considered impaired when the recoverable amount from such asset is less than its carrying value. In that event, a loss is recognised in the Statement of Comprehensive Income based on the amount by which the carrying amount exceeds the fair market value less costs to sell of the long-lived asset. Fair market value is determined using the anticipated cash flows discounted at a rate commensurate with the risk involved.

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

(l) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

(m) Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(n) Property, plant and equipment
Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.
Depreciation is determined principally using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Manufacturing tooling equipment	4 years
Computer equipment	2 years
Office furniture, fixtures & fittings	4 years

(o) Intangible assets
(i) Intellectual property
Acquired patents, trademarks and licences have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost over the anticipated useful lives, which are aligned with the unexpired patent term or agreement over trademarks and licences.

Costs in relation to protection and maintenance of intellectual property are expensed as incurred unless the project has yet to be recognised as commenced, in which case the expense is deferred and recognised as contract work in progress until the revenues and costs associated with the project are recognised.

Acquired software
Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two years).

(p) Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Financial instruments
Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, trade and other receivables and payables. The Company believes that the amounts reported for financial instruments approximate fair value.

Although it is exposed to interest rate and foreign currency risks, the Company does not utilise derivative financial instruments.

Financial assets: Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the Statement of Financial Position. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

3. Expenses

Loss before income tax includes the following specific expenses:	March 2014 $	March 2013 $
Audit fees	$ 34,000	$ -
Depreciation and amortisation	$ 30,943	$ 8,939
Directors' remuneration		
- Fees	130,000	16,250
- Share option compensation	58,577	17,204
Total directors' remuneration	$ 188,577	$ 33,454
Employee benefits expense		
- Wages and salary	1,004,831	432,710
- Share option compensation	128,481	9,264
Total employee benefits expense	$ 1,133,312	$ 441,974
Foreign exchange (gain) loss	$ (1,485)	$ 6,055
Operating lease costs	$ 74,228	$ 50,180

4. Income Tax

	March 2014 $	March 2013 $
Current tax	-	-
Deferred tax	-	-
Income tax expense	$ -	$ -
Numerical reconciliation of income tax expense to prima facie tax payable (receivable):		
Loss before income tax	(2,357,920)	(172,371)
Tax calculated at domestic tax rates	(660,218)	(48,264)
Tax effects of:		
Expenses not deductible for tax purposes	53,381	8,993
Deferred tax assets not recognised (note 11)	606,837	39,271
Income tax expense	$ -	$ -

The weighted average applicable tax rate was 28% (2013: 28%).

5. Cash and cash equivalents

	March 2014 $	March 2013 $
Cash at bank and on hand	49,950	329,469
Deposits at call	1,965,195	4,008,688
	$ 2,015,145	$ 4,338,157

6. Trade and other receivables

	March 2014 $	March 2013 $
Trade receivables	490,041	9,983
Accrued grant income	-	35,585
GST and other taxes receivable	101,397	19,663
	$ 591,438	$ 65,231

7. Inventories

	March 2014 $	March 2013 $
Raw materials and components	96,262	11,216
Work in progress	10,897	28,170
Finished goods	84,027	2,830
	$ 191,186	$ 42,216

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to $336,660 (2013: $160,728).

8. Property, plant and equipment

	Manufacturing Tooling $	Computer Equipment $	Fixtures & Fittings $	Office Equipment $	Total $
As at 1 April 2012					
Cost	-	3,269	1,491	7,423	12,183
Accumulated depreciation	-	(2,553)	(290)	(6,399)	(9,242)
Net book value	-	716	1,201	1,024	2,941
Movements in the year ended 31 March 2013					
Opening net book value	-	716	1,201	1,024	2,941
Additions	61,485	5,342	-	2,278	69,105
Depreciation	(7,286)	(673)	(199)	(781)	(8,939)
Disposals	(725)	(178)	(258)	(946)	(2,107)
Closing net book value	53,474	5,207	744	1,575	61,000
As at 31 March 2013					
Cost	60,686	6,389	991	1,687	69,753
Accumulated depreciation	(7,212)	(1,182)	(247)	(112)	(8,753)
Net book value	53,474	5,207	744	1,575	61,000
Movements in the year ended 31 March 2014					
Opening net book value	53,474	5,207	744	1,575	61,000
Additions	110,786	21,487	7,916	2,464	142,653
Depreciation	(20,926)	(8,473)	(463)	(1,081)	(30,943)
Disposals	-	-	-	-	-
Closing net book value	143,334	18,221	8,197	2,958	172,710
As at 31 March 2014					
Cost	171,472	27,876	8,907	4,151	212,406
Accumulated depreciation	(28,138)	(9,655)	(710)	(1,193)	(39,696)
Net book value	143,334	18,221	8,197	2,958	172,710

9. Trade and other payables

	March 2014 $	March 2013 $
Trade payables	216,946	130,460
Accruals	29,728	17,227
Employee benefits	50,068	5,771
GST and other taxes due	-	-
	$ 296,742	$ 153,458

10. Share capital

	March 2014 Ordinary Shares	March 2014 $	March 2013 Ordinary Shares	March 2013 $
Opening balance	7,342,869	$6,388,757	3,746,920	$1,943,257
Shares issued in private placements	33,076	42,999	3,555,949	4,622,738
Shares issued on options exercised	116,849	82,285	40,000	27,860
Share issue costs expensed	-	(1,680)	-	(205,098)
Closing balance	7,492,794	$6,512,361	7,342,869	$6,388,757

(a) Ordinary Shares
The ordinary shares have no par value and all ordinary shares are fully paid-up and rank equally as to dividends and liquidation, with one vote attached to each fully paid ordinary share.

(b) Share Options
Share Option Plan
The Company has established a Share Option Plan to assist in the retention and motivation of senior employees of, and certain consultants to, the Company ("Participants"). Under the Share Option Plan, options may be offered to Participants by the Remuneration and Audit Committee. The maximum number of options to be issued and outstanding under the Share Option Plan is 20% of the issued ordinary shares of the Company at any time. Each option is an option to subscribe in cash for one ordinary share, but does not carry any right to vote. Upon the exercise of an option by a Participant, each ordinary share issued will rank equally with other ordinary shares of the Company. Options granted under the Share Option Plan have an exercise price of the equal to the most recent share issue price by the Company at the date of the grant and lapse seven years after grant date. Where appropriate options vest in accordance with future service. At 31 March 2014 there were 1,312,763 options outstanding under the Share Option Plan (2013: 795,340).

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Options	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
Outstanding at 1 April 2012	905,431	$ 0.711	748,181	$ 0.707
Granted	124,909	$ 0.730		
Exercised	(40,000)	$ 0.697		
Expired	(195,000)	$ 0.663		
Outstanding at 31 March 2013	795,340	$ 0.726	795,340	$ 0.726
Granted	655,077	$ 1.300		
Exercised	(116,849)	$ 0.704		
Expired	(20,805)	$ 0.730		
Outstanding at 31 March 2014	1,312,763	$ 1.014	882,763	$ 0.875

11. Deferred income tax

	March 2014 $	March 2013 $
Deferred tax asset (liability)		
Provisions and accruals	3,502	-
Intangible assets	40,073	34,270
Tax losses	780,056	182,524
	823,631	216,794
Unrecognised deferred tax assets	(823,631)	(216,794)
Deferred tax asset (liability)	$ -	$ -
Movements		
Deferred tax asset (liability) at the beginning of the year		
Credited (charged) to the income statement (note 4)	606,837	39,271
Effect of change in tax rates		-
Change in unrecognised deferred tax assets	(606,837)	(39,271)
Deferred tax asset (liability) at the end of the year	$ -	$ -

12. Related party transactions

(a) Key management and personnel

The key management personnel include the directors of the Company, the CEO, and senior direct reports to the CEO. Compensation for this group was as follows:

	March 2014 $	March 2013 $
Directors		
- fees and other short term benefits	153,250	16,250
- share option compensation	58,577	17,204
CEO and management		
- short-term benefits	545,476	185,508
- share option compensation	118,041	4,632
	$ 875,344	$ 223,594

Key management and personnel and their associates subscribed for share capital in the Company as follows:

	March 2014 Ordinary Shares	March 2014 $	March 2013 Ordinary Shares	March 2013 $
Shares in private placements	-	-	2,434,970	3,165,462
Shares on options exercised	-	-	20,000	14,600
	-	$ -	2,454,970	$ 3,180,062

(b) Shareholder loan

During the year ended 31 March 2013 shareholder and founder, Garth Sutherland, provided bridging financing to the Company for working capital purposes. The loan was unsecured, repayable on demand and incurred interest at 10% per annum. Interest paid in 2013 was $7,063. The fair value of the shareholder loan equals its carrying amount, as the impact of discounting is not significant. The loan was fully repaid in the year ended 31 March 2013.

13. Financial instruments

Categories of financial instruments	March 2014	March 2013
Financial assets	$	$
Loans and receivables classification:		
Cash and cash equivalents	2,015,145	4,338,157
Other current assets	591,438	65,231
Total financial assets	$ 2,606,583	$ 4,403,388
Financial liabilities		
Measured at amortised cost:		
Trade and other payables	296,742	153,458
Total financial liabilities	$ 296,742	$ 153,458

14. Contingencies and commitments

The Company had no contingencies or commitments to purchase any property, plant or equipment at 31 March 2014 (2013: nil).

The Company has two premises lease commitments, the first ending June 2014 with a three year right of renewal and the other ending July 2015 with no right of renewal. The following aggregate future non-cancellable minimum lease payments for premises have been committed to by the Company, but not recognised in the financial statements.

	March 2014 $	March 2013 $
Not later than one year	42,250	33,000
Later than one year and not later than five years	8,500	8,250
Later than five years	-	-
	$ 50,750	$ 41,250

15. Events occurring after the balance sheet date

There are no events occurring after the balance sheet date which require disclosure or adjustment in the financial statements.

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16. Transition to IFRS

The effect of the Company's transition to NZ IFRS, described in note 2, is summarised below:

Reconciliation of equity and comprehensive income as previously reported under NZ GAAP to NZ IFRS:

Equity	March 2013 $	March 2012 $	March 2011 $
As reported under NZ GAAP	$ 4,363,528	$ 94,705	$ 40,702
IFRS adjustments increase (decrease):			
Patent and trademark costs expensed	(25,287)	(22,936)	(22,936)
Licence revenue accrual reversed	(12,500)	(12,500)	
Grant income accrued	35,585	-	-
As reported under NZ IFRS	$ 4,361,326	$ 59,269	$ 17,766
Comprehensive income (loss) after tax			
As reported under NZ GAAP	$ (181,889)	$ (24,867)	$ (72,418)
IFRS adjustments increase (decrease):			
Share option compensation	(28,928)	(36,418)	(31,460)
Patent and trademark costs expensed	(2,351)	-	-
Licence revenue accrual reversed	-	(12,500)	
Grant income accrued	35,585	-	-
Interest income reclassified	5,212	-	-
Business development costs reclassified	-	(10,000)	-
As reported under NZ IFRS	$ (172,371)	$ (83,785)	$ (103,878)

The Company did not previously report cash flows and accordingly there is no NZ IFRS transition effect on cash flows reported.