



ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

Magnetica Limited
ACN 010 679 633
Units 3 & 4, 55 Links Avenue North
Eagle Farm QLD 4009, Australia
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Magnetica Limited & Controlled Entities



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CORPORATE INFORMATION

DIRECTORS

Howard Stack
Philip Dubois
Charles Ho
Justin Schaffer
Richard Aird
Jonathan Schaffer (alternate for Justin Schaffer)

SECRETARY

Stephen Denaro

AUDITORS

Hall Chadwick QLD
Level 4, 240 Queen St
Brisbane, QLD 4000, Australia

LEGAL ADVISERS

Thomson Geer
Level 16
Waterfront Place
1 Eagle Street
Brisbane QLD 4000, Australia

BANKERS

National Australia Bank
255 George Street
Sydney NSW 2000, Australia

SHARE REGISTRY

Boardroom Pty Ltd
Level 12
225 George St
Sydney NSW 2000, Australia

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 3 & 4
55 Links Avenue North
Eagle Farm QLD 4009, Australia
Telephone: +61 (7) 3188 5445



FY19 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

REVIEW OF OPERATIONS

The twelve-month period to 30 June 2019 has seen significant progress achieved across a range of areas. We have exhibited at an international magnetic resonance in medicine forum for the first time, obtained certification of our Quality Management System (QMS), developed our Intellectual Property (IP) portfolio, secured funds to support our ongoing operations, and accelerated development across our market product offerings.

Commercial negotiations with our Systems Integration Partner have seen commitment secured to continue development activities on the dedicated compact Musculoskeletal (MSK) MRI system, whilst also accelerating the prototyping of a second compact MRI system. Our collaborative product realisation activities are underpinned by a commitment of AU\$3.8M in funding, which may be converted into equity later in calendar year 2019. We received AU\$2.28M of those funds during FY19 as planned, with the balance providing funding through to the end of the first quarter 2020.

In May we exhibited at the ISMRM (International Society for Magnetic Resonance in Medicine) annual meeting and exhibition in Montreal, Canada - one of the pre-eminent events in the MRI industry calendar. Enhancing our brand, promoting our market offerings, establishing new relationships and developing a range of business opportunities with new and existing customers made the event a big success for us.

Our Notified Body issued a certificate to Magnetica in September confirming our QMS is compliant with ISO 13485:2016 (a QMS specific to Medical Device Organisations). A surveillance audit in May identified opportunities for continuous improvement as we bed the system down across the organisation and support the shift in culture required to ensure we deliver compelling and regulatory compliant medical devices and accessories to our customers.

Our IP portfolio is a blend of trade secrets/know how, patents and trademarks, with the approach targeted at ensuring we cost-effectively maintain competitive advantage for our market offerings in key geographic regions. The IP portfolio has been given a significant boost this year through:

- the lodgement of two provisional patents;
- granting of previously lodged patents in several jurisdictions; and
- the full process mapping of our product realisation activities to satisfy the requirements of ISO 13485:2016, resulting in improved corporate knowledge being secured within the business.

The prototype MSK MRI system has experienced a number of enhancements, including a new patient chair, optimised imaging protocols and an improved physical scanning environment that has seen notable clinical workflow improvements and even higher quality images of knees, ankles, feet/toes, elbows, wrists and hands/fingers. A range of upcoming testing activities is designed to verify the system performance and secure broader customer feedback ahead of final stage-gate review decisions on commercialisation by our Systems Integration Partner.

Working with a European customer, we are nearing completion of our activities to build, test and deliver our first Class 1 medical device accessory. A Radio Frequency (RF) coil for use as an MRI accessory with a whole-body MRI system, the coil enables users to undertake Transcranial Magnetic Stimulation (TMS) and/or functional MRI (fMRI) studies, where the equipment has been optimised to meet their application needs.



FY19 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

The Directors acknowledge the ongoing support of our customers, partners, suppliers, shareholders and other stakeholders and thank them for their continued confidence in Magnetica as we work to commercialise our compelling products and deliver growth.

A handwritten signature in black ink, appearing to read "Philip Dubois". The signature is fluid and cursive, with a large initial "P" and "D".

Dr Philip Dubois

Director

27th

Brisbane,

September 2019



DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2019.

DIRECTORS

The following persons were directors of Magnetica Limited during the financial year and up to the date of this report:

Howard Stack
Philip Dubois
Charles Ho
Justin Schaffer
Richard Aird
Jonathan Schaffer (alternate to Justin Schaffer)

Howard Stack

BA LLB

(Non-Executive Chair, Chair of Audit & Risk Management Committee)

Mr Stack is a leading professional corporate director with significant experience in high growth corporations.

He previously has served amongst others as a Director of Eastern Corporation Limited (2006 to July 2007; Chairman March-July 2007), Australian National Industries (1987-1997) and Data #3 Limited (Chairman from 1997 until September 2000); as Chairman of Southern Cross Pumps and Irrigation (1996-1997); Voxson Limited as Chairman (1999-2003); Waratah Coal Inc (2009); and Redflow Limited (2012- June 2018; Chairman 2012 - 2015).

Mr Stack had a long and highly successful career as a partner in the Brisbane based commercial law firm Feez Ruthning from 1969, and was its Managing Partner from 1992 until its merger with Allen Allen and Hemsley in 1996. He retired from Allens in 2001.

In the community he has been Chairman of Brisbane Grammar School Board of Trustees since 1991, and served as a Director of Queensland Events Corporation (1996-1998).

Dr Philip Dubois

MBBS FRCR FRANZR FAICD (Radiologist)

(Non-Executive Director, Member of Audit & Risk Management Committee)

Dr Dubois is a Director of ASX Listed Sonic Healthcare Ltd. He is the Chairman of the Sonic Imaging Executive, and is the CEO of Sonic Healthcare's Imaging Division. He is a neuro-radiologist and nuclear imaging specialist having spent ten years in academic radiology in the United States. He is the author of over fifty scientific publications and has been an invited speaker at many national and international conferences in the field of diagnostic radiology.

Dr Dubois is currently an Associate Professor of Radiology at the University of Queensland Medical School. He has represented his profession on numerous government and craft group committees.

Dr Charles P Ho

MD PhD (Radiologist)

(Non-Executive Director)

Dr. Ho is experienced and active in musculoskeletal and orthopaedic sports medicine imaging and research, particularly in musculoskeletal Magnetic Resonance Imaging. He has been a member of the Radiological Society of North America, the American Roentgen Ray Society, the Society of Skeletal Radiology, the American Academy of Orthopaedic Surgeons, the American Orthopaedic Society for Sports Medicine, and the ACL Study Group, among other professional organizations. He has published numerous papers and book chapters in the radiologic and orthopaedic literature and presented numerous papers internationally in radiologic and orthopaedic conference proceedings.

Dr. Ho is Professor of Radiology, University of Colorado School of Medicine, in Denver, Colorado. He is Director of Imaging Research and a member of the Research Advisory Committee of the Steadman Philippon Research Institute in Vail, Colorado. He has served as Radiologic Consultant for the San Francisco 49ers, San Francisco Giants, Cleveland Indians, U.S. Ski Team, U.S. Decathlon Team, Denver Broncos, and Colorado Rockies.

Dr. Ho received his BS and MS in Electrical Engineering from MIT, PhD in Electrical Engineering from Stanford University, and MD from Stanford University School of Medicine.



DIRECTORS' REPORT (CONTINUED)

Justin Schaffer BA(Econ) MBA (Tulane, USA) (Non-Executive Director)

Justin Schaffer joined the Magnetica Board as a Non-Executive Director in July 2008.

Mr Schaffer has a great depth of business experience internationally, as a Chairman, Executive Director and CEO of numerous large organisations. He is also very familiar with technology start-ups and has founded and run a number of successful high-tech companies.

Early in his career, as a shareholder and CEO he built Duropenta Plastics to become the largest plastics manufacturer in South Africa, with 500 employees and 12,000 tons per annum production. He sold this business to AECI Ltd, a listed public company associated with ICI plc. He remained as CEO under contract and set up a Joint Venture with French and Israeli partners to establish a Drip Irrigation business in Spain and the U.S.A.

At the request of AECI Chairman, Harry Oppenheimer, who was also Chairman of DeBeers & Anglo American Corp., Mr Schaffer became CEO of South African Nylon Spinners Ltd. Within three years this company had been turned around to be the largest producer of nylon and polyester yarns, fibres and PET polymer in the southern hemisphere and one of the most profitable synthetic fibre businesses in the world. The workforce was reduced from 5,000 to 3,500. Investments were made in new Japanese-sourced technology to develop export markets for specialised technologically difficult niche products (e.g. tyre cord, conveyor belt, parachute cord and PET polymer for bottles).

Later in his career Mr Schaffer ran and re-structured the Frame Group, reducing the workforce from 25,000 to 18,000 in two years and restoring profitability.

In 1993 Justin and four partners started a new venture, Tracker Network Ltd, a stolen vehicle recovery business using technology from LoJack Corp., USA, a NASDAQ-listed company. Justin and the four partners served as founding, operating Directors. This Company now employs 800 people with sales revenues exceeding A\$500million p.a. After establishment, the founding partners sold 50% of Tracker to a subsidiary of the Rembrandt Group in South Africa, installed professional management and continued to serve as non-executive directors.

Mr Schaffer uses his wealth of knowledge and experience to invest and act as Non-Executive Director in a number of high-tech start-up companies in South East Queensland.

Richard Aird (Non-Executive Director (Resigned as Executive Managing Director effective 29 October 2017))

Richard Aird became Magnetica CEO in July 2013 and was appointed as a Director in May 2015. He held the position of Managing Director until 29 October 2017. He continues with Magnetica as a non-executive director.

Mr Aird is a professional operations manager with over twenty years' experience in commercial development and operations. He is currently the Chief Operating Officer at Redflow Limited. Prior to joining Magnetica, he spent five years as executive operations manager at Redflow, working with the product development, prototype deployment and commercialisation of technology within the electrochemical and plastics industry. This included demonstration projects, establishment of pilot manufacturing, quality systems, and scoping of outsourced manufacturing opportunities both offshore and in Australia.

Jonathan Schaffer (Alternate Non-Executive Director to Justin Schaffer)

Jonathan Schaffer joined the Magnetica board as an alternate to Justin Schaffer in 2017.

Having qualified as a Chemical Engineer, Jonathan worked for 4 years in South Africa's nuclear industry in the Uranium Enrichment Corporation facility near Pretoria. Thereafter he joined a boutique agency business importing chemicals and plastics before emigrating with his wife, Diane to the UK in 1985.

After working with an international trading company specialising in barter and counter trade operations, he started his own trading business in 1988. The company later specialised in the toy industry, created its own brand and changed its name to Plum Products Ltd.

He migrated with his family to Australia in 2009 and established Plum Products Australia Pty Ltd as a sister company to the UK company, and later Plum Products Hong Kong Ltd.



DIRECTORS' REPORT (CONTINUED)

Today he is Chairman of the same business, which he owns 50/50 with Diane, a solicitor qualified in South Africa and the UK.

The group has sales under its Plum brand of activity toys in excess of \$USD 20 million in more than 40 countries. It employs about 50 full time staff in four countries. www.plumplay.com

COMPANY SECRETARY

Stephen Denaro CA

BA, Grad Dip (Corporate Governance), CA, MAICD

Stephen has extensive experience in mergers and acquisitions, business valuations, accountancy services, and income tax compliance gained from positions as Company Secretary, Chief Financial Officer and Non-Executive Director of various public companies, and with major chartered accountancy firms in Australia and the United Kingdom. He provides Company Secretarial services for a number of start-up technology companies.

Stephen has a Bachelor of Business in Accountancy, Graduate Diploma in Applied Corporate Governance, and is a member of the Institute of Chartered Accountants in Australia, and the Australian Institute of Company Directors.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of Magnetica Limited are shown in the table below:

Director	Ordinary Shares	Unlisted options	"Series A" Performance Rights	"Series C" Performance Rights
Howard Stack	8,806,540	-	-	500,000
Philip Dubois	906,250	-	-	500,000
Charles Ho	333,305	-	-	500,000
Justin Schaffer	13,579,835	-	-	500,000
Richard Aird	312,500	-	500,000	1,000,000
Jonathan Schaffer	-	-	-	-

SHARE OPTIONS

Unissued shares

As at the date of this report (and at the end of the reporting period) there were 3,000,000 unissued ordinary shares under options as detailed in Note 14 to the financial statements. During the year ended 30 June 2019, and up to the date of this report, no shares were issued as a result of the exercise of an option over unissued shares.

Performance Rights Plan

Under the Performance Rights Plan instituted by the company in previous years to incentivise staff, directors and contractors the following Performance Rights are on issue as at year end (as detailed in Note 14 to the financial statements):

- "Series A" (issued for past performance – vested upon issue in December 2017) – 1,800,000;
- "Series B" (issued for past performance, condition unfulfilled, rights have now lapsed), and
- "Series C" (subject to various company wide and performance hurdles to be achieved in the future) – 7,425,000

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with the leave of the Court under section 237 of the *Corporations Act 2001*.



DIRECTORS' REPORT (CONTINUED)

CORPORATE INFORMATION

Corporate structure

Magnetica Limited is a company limited by shares which is incorporated and domiciled in Australia. Magnetica Limited has prepared a consolidated financial report which consolidates its wholly owned subsidiaries NMR Holdings No. 1 Pty Limited and NMR Holdings No. 2 Pty Limited.

Nature of operations and principal activities

The principal activities of the Company during the financial year were in design, development and commercialisation of superconducting magnets, gradient coils and RF (Radio Frequency) Coils aimed at niche and emerging global human magnetic resonance imaging (MRI) markets.

Employees

As at 30 June 2019, the Company employed 8 full-time and 1 part-time employees (excluding the Non-Executive Directors and the Company Secretary). The Company also engages external consultants, particularly for research and development work, as required. The most notable of these are from The University of Queensland's Biomedical Engineering Group.

REVIEW OF FINANCIAL CONDITION

Capital structure

During the period to 30 June 2019, nil shares were issued (2018: 9,347,586).

Treasury policy

The Company does not have a formally established treasury function. The Board is responsible for managing the Company's currency risks and finance facilities. The Company does not currently undertake hedging of any kind.

OPERATING RESULTS

For the year ended 30 June 2019, the loss from ordinary activities for the consolidated entity after providing for income tax was \$(34,107). (2018: profit \$72,632).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year.

FUTURE DEVELOPMENTS

Likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have been discussed under Review of Operations.

During the period, the company received development contributions of \$2.28m under a signed agreement, which forms part of an overarching funding and partnering agreement with a Systems Integration Partner. This agreement provides the partner with an option to convert the amount of development contributions into equity as fully paid ordinary shares. This option would allow the partner an anticipated 19.9% of the equity of Magnetica, provided the partner has paid a total contribution of \$3.8m in total prior to dates in CY 2019 as specified in the agreement.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Company's operations in subsequent financial years other than information which the Directors believe comment on or disclosure of, would prejudice the interests of the Group.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There were no significant developments after the end of the reporting period.



DIRECTORS' REPORT (CONTINUED)

ENVIRONMENTAL REGULATIONS

The consolidated entity is not subject to any significant environmental regulation under a law of the Commonwealth or Queensland State governments.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors, Officers and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company and certain indemnities to those Directors, Officers and Secretary.

The Company has not indemnified its auditor.

No insurance premiums have been paid, during or since the end of the financial year for any person who is or has been a director or officer of the Company.

DIRECTORS' MEETINGS

The number of meetings of directors held during the period and the number of meetings attended by each director are as follows:

	Board meetings		Audit & Risk Management committee		Remuneration and Nomination committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Howard Stack	5	5	2	2	-	-
Justin Schaffer	5	5	n/a	n/a	n/a	n/a
Philip Dubois	5	5	2	2	-	-
Charles Ho	5	5	n/a	n/a	n/a	n/a
Richard Aird	5	5	n/a	n/a	n/a	n/a
Jonathan Schaffer	5	1	-	-	n/a	n/a

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 11 of the Annual Report.

Signed at Brisbane this 27th day of September 2019 in accordance with a resolution of the directors.

Dr Philip Dubois
Director

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Magnetica Limited

As lead auditor for the audit of the financial report of Magnetica Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Magnetica Limited and entities it controlled during the financial period.



Geoffrey Stephens
Director

HALL CHADWICK QLD
Chartered Accountants

Dated this 27th day of September 2019

Independent Auditor's Report

To the members of Magnetica Limited

Report on the Financial Report

Opinion

We have audited the financial report of Magnetica Limited and controlled entities (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) 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 Company 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.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our 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 Company's ability 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 Company 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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit 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.
-

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Geoffrey Stephens
Director

HALL CHADWICK QLD
Chartered Accountants

Dated this 27th day of September 2019



Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 15 to 39 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. in the directors' opinion, the financial statements and notes to the financial statements are prepared in compliance with International Financial Reporting Standards as made by the International Accounting Standards Board.

Signed at Brisbane this 27th day of September 2019 in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "Philip Dubois", written over a horizontal line.

Dr Philip Dubois

Director



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue	2	970,057	1,238,693
Expenses	3	(1,004,164)	(1,166,061)
Profit/(loss) before income tax		(34,107)	72,632
Income tax expense	4	-	-
Profit/(loss) attributable to members of Magnetica Limited		(34,107)	72,632
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year attributable to the members of Magnetica Limited		(34,107)	72,632
<i>The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.</i>			



Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents		1,436,040	920,845
Trade and other receivables	5	84,009	64,077
Inventories		72,308	71,438
Other assets	6	141,870	33,193
TOTAL CURRENT ASSETS		1,734,227	1,089,553
NON-CURRENT ASSETS			
Property, plant and equipment	8	156,691	167,956
Intangible assets	9	5,000,218	3,645,536
TOTAL NON-CURRENT ASSETS		5,156,909	3,813,492
TOTAL ASSETS		6,891,136	4,903,045
CURRENT LIABILITIES			
Trade and other payables	10	226,696	425,981
Employee Benefits	11	57,733	53,130
TOTAL CURRENT LIABILITIES		284,429	479,111
NON-CURRENT LIABILITIES			
Employee Benefits	11	1,192	933
TOTAL NON-CURRENT LIABILITIES		1,192	933
TOTAL LIABILITIES		285,261	480,044
NET ASSETS		6,505,515	4,423,001
EQUITY			
Issued capital	12	58,088,535	58,151,914
Reserves	13,14	2,831,000	551,000
Accumulated losses		(54,314,020)	(54,279,913)
TOTAL EQUITY		6,605,515	4,423,001
<i>The above consolidated statement of financial position should be read in conjunction with the accompanying notes.</i>			



Consolidated Statements of Changes in Equity

For the year ended 30 June 2019

Consolidated	Share capital	Reserves	Reserves	Reserves	Accumulated losses	Total equity
	Ordinary	Share option reserve	Performance Rights	Share Based Payments		
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	58,151,914	281,000	270,000		(54,279,913)	4,423,001
Shares issued during the period	-	-	-	-	-	-
Development Contributions	-	-	-	2,280,000	-	2,280,000-
Share issue costs	(63,379)	-	-	-	-	(63,379)
Total comprehensive income/(loss) for the year	-	-	-	-	(34,107)	(34,107)
Balance at 30 June 2019	58,088,535	281,000	270,000	2,280,000	(54,314,020)	6,605,515

Consolidated	Share capital	Reserves	Reserves	Reserves	Accumulated Profit/(losses)	Total equity
	Ordinary	Share option	Performance Rights	Share Based Payments		
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	56,829,922	281,000	-	-	(54,354,446)	2,756,476
Shares issued during the period	1,402,138	-	-	-	-	1,402,138
Share issue costs	(80,146)	-	-	-	-	(80,146)
Prior Year adjustment	-	-	-	-	1,901	1,901
Reserve against Performance Rights issued during the financial year	-	-	270,000	-	-	270,000
Total comprehensive income/(loss) for the year	-	-	-	-	72,632	72,632
Balance at 30 June 2018	58,151,914	281,000	270,000	-	(54,279,913)	4,423,001



Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Inflows/(Outflows)	
	2019 \$	2018 \$
Cash flows from operating activities		
Receipts from customers and grants	950,153	1,371,247
Payments to suppliers and employees	(1,394,270)	(1,409,907)
GST Recovered/(paid)	85,005	111,203
Interest Received	9,895	11,188
Net cash used in operating activities (Note 21)	(349,217)	83,371
Cash flows from investing activities		
Payments for property, plant and equipment	(15,535)	(8,388)
Payment for development costs	(1,336,673)	(1,198,627)
Net cash used in investing activities	(1,352,208)	(1,207,015)
Cash flows from financing activities		
Proceeds from capital raising	2,280,000	1,361,000
Share issue costs	(63,380)	(80,146)
Net cash provided by financing activities	2,216,620	1,280,854
Net increase (decrease) in cash and cash equivalents held	515,195	157,570
Cash and cash equivalents at the beginning of the financial year	920,845	763,275
Cash and cash equivalents at the end of the financial year (Note 20)	1,436,040	920,845
<i>The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.</i>		

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements cover the consolidated entity comprising of Magnetica Limited and its controlled entities. Magnetica Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial statements of Magnetica Limited and its controlled entities were authorised for issue on the date of signing of the Directors' Declaration.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Magnetica Limited ("parent entity") as at 30 June 2019 and the results of all controlled entities for the year then ended. Magnetica Limited and its controlled entities together are referred to in the financial statements as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 7 to the financial statements.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates are recognised in the consolidated statement of profit or loss and other comprehensive income, and its share of post-acquisition movements in reserves are recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

b. New and Amended Standards Adopted

The Company has applied for the first time, AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments. Neither standard has had a material impact on the transactions and balances recognised in the financial statements and do not have any impact on the disclosures included in these financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue and related interpretations. It requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations.

Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer.

Based on the Company's assessment of revenue streams, there is no impact on the Company's financial statements upon adoption and no transition adjustment has been made to opening retained earnings. The application of the requirements of AASB 15 are broadly consistent with the Company's current accounting policies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

As a result of the adoption of AASB 9, the Company has adopted consequential amendments to AASB 101 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. The company has not presented separately in the statement of profit or loss and OCI due to materiality considerations.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

There was no material impact on the Company's financial statements for the year ended 30 June 2019.

c. Goods and services tax

Revenues, 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 Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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.

d. Basis of Preparation

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

e. Revenue Recognition

Prior to 1 Jan 2018, revenue was recognised when the amount of the revenue could be measured reliably, it was probable that economic benefits associated with the transaction would have flowed to the Company and specific criteria relating to the type of revenue were satisfied.

Revenue was measured at the fair value of the consideration received or receivable. Amounts recognised were net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The company has initially applied AASB 15 from 1 January 2018. Revenue is measured based on the consideration specified in a contract with a customer.

Revenue arises mainly from the sale of goods and services, Research and Development (R&D) tax rebates, interest and various grants.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To determine whether to recognise revenue, the company follows a five-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligations are satisfied.

Revenue generated by the Company is categorised into the following reportable segments:

- Manufacturing segment – sale of Gradient and Radio Frequency (RF) Coils;
- Interest;
- R&D Tax Offsets; and
- Grants.

Gradient and RF Coils

The Company manufactures and sells Gradient and RF Coils.

Revenue from these sales is based on the price stipulated in the contract. Revenue is only recognised to the extent that there is a high probability that the company will collect the consideration to which it will be entitled to, in exchange for goods and services that will be transferred to the customer.

Revenue is recognised either at a point in time or over time, when (or as) the company satisfies performance obligations.

As many of the contracts involve purpose-built goods and services unique to that customer (which have no alternate use for the company), and the company usually has an enforceable right to payment for the performance completed, most contract revenue is recognised over time. The company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. It measures progress by using reliable methods such as milestones reached, surveys of performance completed to date, and appraisals of results achieved, with reference to value to the customer of goods or service promised under the contract.

In the event that the above-mentioned conditions are not fulfilled, the company recognises revenue at a point in time. In determining the appropriate point in time at which revenue is recognised, the company considers factors such as when the customer obtains control of the promised goods/services, and when the company has satisfied its performance obligations. Determined on a case by case basis, the factors to be considered include whether the company has a present right to payment for the goods; whether the company has transferred physical possession of the asset, and whether the customer has accepted the asset – all having reference to the contracted terms and conditions.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations, and reports these amounts as liabilities in its Statement of Financial Position. Similarly, if the company satisfies a performance obligation before it receives the consideration, the Group recognises a receivable in its Statement of Financial Position.

Interest

Interest is recognised when the company has the right to receive the interest payment.

Research and Development Tax Offset

Refundable research and development tax offsets are recognized when the Australian Taxation Office approves that year's claim. Non-refundable R&D tax offsets are treated as tax credits in accordance with AASB 112 Income Taxes but only to the extent that they exceed the company's income tax rate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Grants**

Grants are recognised as revenue when grant submission has been approved and relevant payment has been received.

Sale of non-current assets

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal. Any gain is recognised as other income and any loss as an expense.

f. Property, plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The carrying value of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their net present values in determining recoverable amounts.

Depreciation

Depreciation is calculated on a straight-line basis so as to write off the net cost of each item of property, plant and equipment over its useful life. Additions are depreciated from the date they are installed ready for use.

The principal rates of depreciation for plant and equipment are the rate which corresponds to the company's assessment of the particular asset's useful life, eg if it is assessed to have a 5 year life, it is depreciated 20% each year.

g. Impairment

At the end of each reporting period, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash generating unit.

h. Inventories

All inventories including work in progress are valued at the lower of cost and net realisable value. Cost includes direct materials, direct labour and relevant freight costs.

i. Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or non-allowable items. It is calculated using tax rates that have been enacted or are substantively enacted as at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss, or where it is associated with investments in subsidiaries, associates or interests in joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged in the statement of profit or loss and other comprehensive income except where it relates to items that may be charged directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be claimed.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the consolidated entity and its constituent member entities as applicable, will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Magnetica Limited and its wholly-owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 23 December 2004. The tax consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

j. Financial Instruments**(i) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest in the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(i) Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

The Company recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortised cost.

(ii) 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. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(e)(i)), and foreign currency differences on available-for-sale equity instruments (see note 3(a)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(iii) Financial assets - Assessment of contractual cash flows as principal or interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(iv) Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Company's financial assets are classified as loan and receivables.

(v) Derecognition**Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(vi) Financial currency***Functional and presentation currency*

The functional currency of each of the members of the consolidated entity is measured using the currency of the primary economic environment in which that member entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

k. Employee benefits*Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees services up to the reporting date and are measured at the amount expected to be paid when the liabilities are settled.

Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching, as at the end of the reporting period, to corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Equity-settled compensation

The consolidated entity previously operated a share option arrangement with its directors. The bonus element over the exercise price of the director services rendered in exchange for the grant of shares and options is recognised as an expense in the statement of profit or loss and other comprehensive income. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options granted which is determined using the Black Scholes Model.

Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l. Intangible assets*Intellectual property*

Intellectual property is recorded in the financial statements at acquisition cost less accumulated impairment losses. Intellectual property costs, having a benefit or relationship to more than one accounting period, are deferred and amortised to the statement of profit or loss and other comprehensive income using the straight-line method of calculation over the period of time during which the benefits are expected to arise.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Carrying values are assessed at the end of each reporting period for impairment and any write down included in the statement of profit or loss and other comprehensive notes in the period determined.

Research and development

Expenditure during the research phase of the project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Patents and trademark expenditure

All patent and trademark expenditure is expensed as incurred. Patent and trademark expenditure is capitalised only when technical feasibility studies identify that the intellectual property to which they relate will deliver future economic benefits and those benefits can be measured reliably. Capitalised expenditures are then amortised over the period of their expected benefits.

m. Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount within short-term borrowings in current liabilities in the statement of financial position.

n. Leases

Leases where substantially all of the risks and rewards of ownership transfer to the consolidated entity are classified as finance leases. Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments including any residual values. Lease payments are allocated between the reduction of the lease liabilities and the lease interest expense for the period.

Leases where substantially all of the risks and rewards are not transferred to the consolidated entity are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

o. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either in the principle market or in the absence of a principle market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, and used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

p. Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Going Concern

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

Magnetica Ltd is an emerging technology company and is in the continuing process of fund raising to develop the technology to a stage where the company becomes profitable and self-sufficient. The Company has made a net loss over the last 12 months of (\$34,107) and a profit of \$72,632 in the corresponding prior period.

The ability of the Company to continue to adopt the going concern basis is dependent on a number of matters. These include the successful raising in the future of necessary funding, the ability to continue to secure government grants and/or the successful development and subsequent commercialisation of the Company's magnetic resonance imaging (MRI) technologies, and the continuing financial support of directors.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses and the statement of financial position classifications used. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned, as described below, will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these financial statements.

The directors believe that the adoption of the going concern basis is appropriate for the following reasons:

1. The directors have continued to contribute further share capital on a periodic basis.
2. The company has historically had the ability to secure Government grant funding and to secure share capital as needed.
3. The company is entitled to a substantial annual research and development tax rebate.
4. Periodic coil sales are expected to occur throughout the financial year and an arrangement is pending for partnering with a multinational company.
5. The company has no debt apart from trade creditors and in fact had a surplus of net current assets at period end and as the date of this report.

r. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current knowledge. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key Estimates

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. When an impaired trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

There are no other estimates or judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

s. New accounting standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Company. The following new standards to be applied in future periods are not expected to have a significant impact on the Company:

- (i). AASB 16 Leases (application date 1 January 2019). This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, by lessees and lessors. The Company will adopt this standard in July 2019. The adoption of this standard has been assessed by the Company and will impact its assets, liabilities and expenses by the extent of which has not yet been assessed by the Company.



	2019 \$	2018 \$
2. REVENUE		
Sales	217,158	107,876
Interest received	9,895	11,188
Grant income	178,000	479,665
Research and development tax offset	566,218	641,255
Other income	(1,214)	(1,290)
	970,057	1,238,694
3. EXPENSES		
Consultancy	462,004	432,857
Travel	49,082	51,734
Employee benefits expense	1,134,555	1,082,772
General and Admin – Premises and Facilities	120,822	110,171
General and Admin – Corporate and other costs	152,322	133,870
Standards and Approvals	14,503	59,892
Marketing and Sales	27,826	3,637
Depreciation	26,800	26,562
Cost of Goods sold	145,524	76,096
Share based payments	-	270,000
Other	207,400	114,256
	2,340,838	2,361,847
Less Development costs capitalised applicable to costs above	(1,298,480)	(1,195,786)
Less IP costs capitalised applicable to costs above	(38,194)	-
	1,004,164	1,166,061
4. INCOME TAX		
a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	(34,107)	72,632
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	(9,379)	19,974
Research and development not assessable	(155,710)	(176,345)
Depreciation and amortisation	(10,079)	(5,249)
Prepayments	(791)	12
Research and development expenses capitalised	(357,082)	(328,841)
Black hole expenditure	-	(603)
Research and development expenses non-deductible	423,547	398,648
Share based payments	-	74,249
Movements in provisions and accruals	1,337	(14,972)
Deferred tax assets (recognised)/not recognised	108,157	33,127
Losses Utilised	-	-
Income tax expense	-	-
b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	31,025,145	30,631,845
Potential tax benefit @ 27.5% (2018: 27.5%)	8,531,915	8,423,758

4b) **Tax losses (continued)**

Realisation of the potential tax benefit is dependent upon:

- the ability of the consolidated entity to derive future assessable income of a nature and of sufficient amount to enable the benefit to be realised;
- the ability of the consolidated entity to continue to comply with the conditions for deductibility imposed by law; and
- an expectation that legislation will not change in a manner which would adversely affect the consolidated entity's ability to realise the benefit.

5. **TRADE AND OTHER RECEIVABLES**

Trade receivables
GST receivable

2019 \$	2018 \$
52,294	50,149
31,715	13,928

84,009 **64,077**

6. **OTHER CURRENT ASSETS**

Refundable deposits
Deposits paid – goods ordered
Prepayments

13,750	13,750
-	5,942
128,120	13,501

141,870 **33,193**

7. **CONTROLLED ENTITIES**

The consolidated financial statements include the assets, liabilities and results of the following subsidiaries:

	Country of Incorporation	Class of Share	2019 % holding	2018 % holding
NMR Holdings No. 1 Pty Ltd	Australia	Ordinary	100%	100%
NMR Holdings No. 2 Pty Ltd	Australia	Ordinary	100%	100%

The controlled entities did not trade during the year.

8. **PROPERTY, PLANT AND EQUIPMENT**

Plant and equipment

Cost
Less: Accumulated depreciation

Total plant and equipment

2019 \$	2018 \$
342,674	395,288
(185,983)	(227,332)
156,691	167,956

Reconciliations of the movements in carrying amounts for each class of property, plant and equipment are set out below:

Plant and equipment

Carrying amount at beginning of year

Additions

Depreciation

Carrying amount at end of year

167,956	186,130
15,535	8,388
(26,800)	(26,562)
156,691	167,956



	2019 \$	2018 \$
9. INTANGIBLE ASSETS		
Computer software		
At cost	-	35,110
Less: Accumulated amortisation	-	(35,110)
Total computer software	-	-
Patents		
At cost	517,011	53,868
Less: Accumulated impairment losses	(224,950)	-
Total patents	292,061	53,868
Development costs		
At cost	4,708,157	3,834,626
Less: Accumulated amortisation	-	(242,958)
Total development costs	4,708,157	3,591,668
Total intangible assets	5,000,218	3,645,536
Reconciliations		
Carrying amount at beginning of year	3,645,536	2,464,909
Additions	1,354,682	1,180,627
Carrying amount at end of year	5,000,218	3,645,536
10. TRADE AND OTHER PAYABLES		
Trade payables	49,395	88,173
Unearned revenue	53,912	269,120
PAYG withholding payable	21,184	42,056
Accrued expenses	102,205	26,632
	226,696	425,981

		2019	2018
		\$	\$
11.	EMPLOYEE BENEFITS		
	Current		
	Provision for Long Service Leave	1,630	4,693
	Provision for Annual leave	56,103	48,437
		57,733	53,130
	Non Current		
	Provision for Long Service Leave	1,192	934
		1,192	934

		No. of Shares	2019	No. of Shares	2018
			\$		\$
12.	ISSUED CAPITAL				
(a)	<i>Ordinary shares</i>				
	Balance 1 July	119,567,184	58,151,914	110,219,598	56,829,922
	Shares issued during the year at \$0.15 per share			9,347,586	1,402,138
	Share issue costs		(63,379)		(80,146)
	Balance 30 June	119,567,184	58,088,535	119,567,184	58,151,914
		No. of Options	2019	No. of Options	2018
			\$		\$
(b)	Options				
	Balance 1 July	3,000,000	281,000	3,000,000	281,000
	Options lapsed	-	-	-	-
	Balance 30 June	3,000,000	281,000	3,000,000	281,000

Details of the share options are included in Note 14 Share-Based Payments.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of shares held. Fully paid ordinary shares have no par value and entitle each shareholder to one vote upon a poll for each share held or on a show of hands one vote per shareholder.

Capital Risk Management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.

13. RESERVES

Share Option Reserve

The reserves record items recognised as expenses on valuation of employee and director share options and Performance Rights.

14(a) SHARE-BASED PAYMENTS - OPTIONS

No options were granted or exercised during the current financial year (2018: Nil).

In 2005 options were granted as equity compensation benefits to certain directors in office at that time. The options were issued at no cost. Each of the granted options entitled the holder to subscribe for one fully paid ordinary share in the entity at various exercise prices and various option periods. Set out below are summaries of options previously granted to directors.

Grant date	First exercise date	Last exercise date	Exercise price per share	Balance at 30 June 2019	Balance at 30 June 2018
20-May-05	Relisting date	Relisting date+3yr	\$0.50	1,000,000	1,000,000
20-May-05	Relisting date+1yr	Relisting date+4yr	\$0.54	1,000,000	1,000,000
20-May-05	Relisting date+2yr	Relisting date+5yr	\$0.60	1,000,000	1,000,000
				3,000,000	3,000,000
Options outstanding at year-end				3,000,000	3,000,000
Options exercisable at year-end				-	-
Weighted average exercise price of outstanding options				\$0.54	\$0.54
Weighted average fair value of outstanding options				\$0.09	\$0.09

The options granted have been valued using the Black-Scholes option pricing model applying the following assumptions: -

- Risk free interest rate 5.37%
- Expected share price volatility 78.00%
- Underlying share price \$0.40
- Expiry date see last exercise date above.

14(b) SHARE – BASED PAYMENTS – PERFORMANCE RIGHTS

Magnetica has a Performance Rights Plan to incentivise staff, directors and contractors working with the company. The Performance Rights are issued at no cost to recipients. The exercise price of each right is Nil. Each of the Performance Rights entitles the holder to exercise that right to receive one fully paid ordinary share in the entity under various terms and conditions. The Performance Rights consist of:

- “Series A” rights, which were issued for past performance and vested immediately;
- “Series B” rights, which were subject to various company-wide/individual performance hurdles to be achieved by 30 June 2018. (As these hurdles were not achieved to the satisfaction of the Board of Directors, these rights lapsed); and
- “Series C” rights, which were issued in November 2018, which are subject to various company-wide/individual hurdles to be achieved at nominated dates in the future.

Shares issued or transferred under the Plan on exercise of a Performance Right (Plan Shares) may not be disposed of, transferred, or otherwise dealt with without Board approval while they are Restricted Shares, except by way of transmission to legal personal representative.

SHARE - BASED PAYMENTS - PERFORMANCED RIGHTS (Continued)

Plan Shares will be Restricted Shares for the period commencing on their date of issue or transfer and ending on the occurrence of a Liquidity Event.

- Liquidity Event means the first to occur of:
 - the date on which any Shares are either or both allotted or transferred under a prospectus lodged with the Australian Securities and Investments Commission (or other relevant regulatory body) in connection with an IPO; (Series A and C);
 - the date on which a takeover bid for all of the Shares not owned by the bidder becomes unconditional; (Series A and C);
 - the date on which, following a Trade Sale all or part of the net proceeds of sale are paid to shareholders; (Series A and C);
 - a scheme of arrangement is made or undertaken in respect of the company (Series C only); or
 - any event similar to those described above involving a change in ownership or control of the Company or all or substantial part of the assets of the Company (Series C only).
- Generally speaking, a performance right will lapse when any of the following events occur:
 - the Expiry Date has been reached;
 - the applicable performance conditions are not achieved within the performance period specified; or
 - the recipient of the right ceases to be employed or engaged by the company.

Set out below are details of Performance Rights as at balance date:

Series	Grant Date	Vesting Date	First possible exercise Date	Expiry Date (unless right otherwise lapses as above)	Balance at 30 June 2019	Balance at 30 June 2018
A	20-12-17	Immediately	20-12-17	20-12-24	1,800,000	1,800,000
B	20-12-17	Lapsed Aug 2018	Lapsed	Lapsed	-	7,175,000
C	20-11-18	When performance hurdles are met to the satisfaction of the Board of Directors	On vesting date	20-11-2025	7,425,000	-

14(c) SHARE BASED PAYMENT RESERVE

During the period, the company received development contributions of \$2,280,000 under a signed agreement, which forms part of an overarching funding and partnering agreement with a Systems Integration Partner. This agreement provides the partner with an option to convert the amount of development contributions into equity as fully paid ordinary shares. This option would allow the partner an anticipated 19.9% of the equity of Magnetica, provided the partner has paid a total contribution of \$3.8m in total prior to dates specified in the agreement.

15. CONTINGENT LIABILITIES

The directors are not aware of any material contingent liability that the consolidated entity may be exposed to.

	2019 \$	2018 \$
16. COMMITMENTS		
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements or payable:		
Not longer than one year	26,296	25,531
	26,296	25,531
17. AUDITOR'S REMUNERATION		
Remuneration of the auditors of the parent entity for:		
- auditing or reviewing the financial report	15,962	24,024
18. RELATED PARTIES		
Directors and specified executives:		
Disclosure relating to directors and key management personnel remuneration are included in note 23.		
Aggregate amounts payable to directors at end of the reporting period:		
<i>There were no aggregate amounts payable to the directors during the financial year.</i>		
Wholly Owned Group:		
The wholly owned group consists of Magnetica Limited and its wholly owned controlled entities. Information relating to the controlled entities is set out in note 7.		
19. EVENTS OCCURRING SUBSEQUENT TO THE END OF THE REPORTING PERIOD		
The company received \$0.636m in September 2019 from the Australian Taxation Office (ATO) for the 2018/9 Research and Development tax rebate. As at the date of this report, the company is in ongoing discussions with a party in relation to a potential investment of a minority interest. With the exception of these matters, there were no other events occurring subsequent to the end of the reporting period.		



	2019	2018
	\$	\$
20 RECONCILIATION OF CASH		
For the purpose of the statement of cash flows, cash includes cash on hand and at banks and investments in the money market, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	1,436,040	920,845
21 RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO LOSS AFTER INCOME TAX		
Profit/(loss) after income tax	(34,107)	72,632
Depreciation	26,800	26,562
Movement in other reserves	-	270,000
Change in assets and liabilities		
(Increase) decrease in assets		
Trade debtors	(19,932)	45,668
Inventory	(870)	(23,806)
Other current assets	(108,677)	(5,899)
Increase (decrease) in liabilities		
Trade creditors	(175,327)	81,097
Unearned revenue	(20,872)	62,837
Employee entitlements	(16,322)	(30,398)
PAYG withholding	-	(3,994)
Accrued superannuation	-	(24,046)
Other creditors and accruals	-	(386,922)
Net cash used in operating activities	(349,217)	83,731

22. FINANCIAL INSTRUMENTS

The consolidated entity's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payables.

The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating debt. Management continuously monitors the debt profile of the consolidated entity in the context of the most recent economic conditions.

Liquidity risk

The directors regularly monitor the consolidated entity's cash position and on an ongoing basis consider a number of strategic and operational plans and initiatives to ensure that adequate funding continues to be available to meet the consolidated entity's business objectives.

Credit risk

The consolidated entity did not have material credit risk exposure to any single debtor or group of debtors at the end of the reporting period.

23. **MANAGEMENT PERSONNEL DISCLOSURES**

(a) **Key Management Personnel**

(i) **Details of Key Management Personnel**

Howard Stack - Non-Executive Chair
 Philip Dubois - Non-Executive Director
 Charles Ho - Non-Executive Director
 Justin Schaffer - Non-Executive Director
 Richard Aird – Non-Executive Director
 Jonathan Schaffer – Alternate to Justin Schaffer

(ii) **Details of Other Key Management Personnel**

Duncan Stovell – Chief Executive Officer
 Dr Riyu Wei – Lead Engineer
 Dr Sara Eastwood – Program and Facilities Manager

(iii) **Key Management Personnel Compensation**

	2019 \$	2018 \$
Short term employee benefit	505,125	386,443
Post-employment employee benefit	31,537	21,965
Other long-term employee benefits	1,200	482
Share Based Payments	-	147,138
Total	537,862	556,028

(iv) **Directors Fees**

During the 2006 financial year the directors resolved to stop accruing directors' fees in respect of Howard Stack, Philip Dubois, Charles Ho and Justin Schaffer. In the future the directors may take into consideration past services performed by directors when recommending future remuneration policies.

(b) **Option Holdings of Directors and Other Key Management Personnel**

There were no options over ordinary shares in the company held during the financial year by any director or other key management personnel (2018: Nil).

(c) **Share Based Payments**

Details of share based payment are detailed in note 14.

MANAGEMENT PERSONNEL DISCLOSURES (continued)
(c) Shareholdings of Directors and Other Key Management Personnel

The number of shares in the company held during the financial year by each director of Magnetica Limited and other key management personnel are set out below.

30 June 2019	Balance 1 July 2018	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2019
Directors					
Howard Stack	10,136,540	-	-	(1,330,000)	8,806,540
Philip Dubois	906,250	-	-	-	906,250
Charles Ho	333,305	-	-	-	333,305
Justin Schaffer	13,579,835	-	-	-	13,579,835
Richard Aird	312,500	-	-	-	312,500
Jonathan Schaffer	-	-	-	-	-
Other Key Management Personnel					
Duncan Stovell	-	-	-	-	-
Dr Riyu Wei	-	-	-	-	-
Dr Sara Eastwood	-	-	-	-	-
	25,268,430	-	-	(1,330,000)	23,938,430

30 June 2018	Balance 1 July 2017	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2018
Directors					
Howard Stack	8,522,286	-	-	1,614,254	10,136,540
Philip Dubois	906,250	-	-	-	906,250
Charles Ho	333,305	-	-	-	333,305
Justin Schaffer	12,579,835	-	-	1,000,000	13,579,835
Richard Aird	312,500	-	-	-	312,500
Jonathan Schaffer	-	-	-	-	-
Other Key Management Personnel					
Duncan Stovell	-	-	-	-	-
Dr Riyu Wei	-	-	-	-	-
Dr Sara Eastwood	-	-	-	-	-
Total	22,654,176	-	-	2,614,254	25,268,430

	2019 \$	2018 \$
24. PARENT ENTITY INFORMATION		
Net loss attributable to members of Magnetica Limited	(34,107)	72,632
Total comprehensive income for the year	(34,107)	72,632
Current assets	1,734,226	1,089,553
Total assets	6,891,135	4,903,045
Current liabilities	285,620	479,111
Total liabilities	285,620	480,044
Issued capital	58,088,535	58,151,914
Reserves	2,831,000	551,000
Accumulated losses	(54,314,020)	(54,279,913)
Total Equity	6,605,515	4,423,001