Lifespot Health Limited

ACN 611 845 820

Annual Financial Report
2016

Dear Shareholders,

The first quarter of 2017 has seen Lifespot Health (LSH) commence trading on the ASX after successfully raising its maximum A$8.0 million in an oversubscribed IPO raise, backed by top-tier institutions, global funds and family offices.

The successful raising enabled LSH to acquire 100% of BodyTel GmbH and Lifespot AG to continue the roll-out of the already commercialized BodyTel system into new global markets and verticals, with a strong focus on the development and commercialization of medical diagnostic and telemonitoring technologies in hospitals, clinics and multinational hardware companies, which specialize in providing health-care solutions.

The BodyTel system facilitates the management of chronic diseases and assists with the measurement of key vital functions and indicators of these diseases (including, but not limited to blood glucose, blood pressure and weight levels), as well as assisting with the monitoring of prescribed therapies for chronic diseases (including medication dosages, diets and levels of physical activity), which globally is a $34 Billion addressable market.

Operationally the Engineering and Maintenance team led by Heiner Emden in Germany will continue to provide development services for new products and support in the expansion opportunities initially in the Australian market. Our outward focus for the European market will be led by Stefan Schraps to build relationships with new customers and continue to work with Government regulatory bodies to form policy for the emerging market that is tele health.

During the first three months, LSH focussed on strengthening the value proposition of the company and worked closely with operations in Europe to strengthen the team and product offering. This is proving beneficial, with increased interest from global equipment hardware providers, seeking to transition their products to the digital e-health sector with a number of opportunities for development now moving towards closure. Adding to the offering from LSH now includes cardiac monitoring and sleep disorder management to name a few. The services provided by LSH include Software-as-a-Service (SaaS), integrated SaaS and SaaS / hardware combinations.

One such new SaaS/hardware segment for Lifespot Health is in the medical drug compliance sector and for this purpose a medicinal cannabis equipment provider was selected to work with Lifespot Health in the development of a world's first device to monitor consumption of cannabis for quantity, time of use and validation of person backed by the e-health engine to provide real time advice to health professionals.

A strong focus for LSH is the Global Home care & assisted-living market that was in 2015/16 was valued at US$228 billion and is expected to grow to US$391 billion by 2021 - with the fastest growth coming from the Asia Pacific region. To enter this market, LSH is currently in the process of forming a consortium of complementary technologies to provide end to end care for seniors, physically and mentally challenged individuals in the comfort of their home where a person can have their body vitals and daily activity measured, analysed and appropriate care responses given to assist them in living at their home and provide preventative services to avoid unnecessary, expensive and stressful admission to hospital care.

This service will aim to manage all daily medical requirements from pharmaceutical requirements to care giver interaction whether it is in a major city or a remote regional location.

Moreover, LSH has been approached by Deutsche Telekom to partake in a similar pilot program in the coming months, which is exciting and will reap great rewards.

The increasing interest levels by new potential customers has meant that our existing clients in B.Braun, Beaurer and Roche will be provided with sales channels currently unavailable to them, thereby confirming the strength of the LSH relationship with our customers.

The combination of the aforementioned activity primes the pump for the next twelve months that will see numerous deals closed to provide needed personal care services in the segments that house customers like NDIS, TAC, WorkCover, Health Insurers and Community Care providers such as BUPA, GMHBA and Medicare.

Moreover, we’re also currently in discussions with a number of large pathology companies to integrate LSH’s solutions to manage their current patient record processes. We believe that this segment alone, could be worth more than $2M to the bottom line over the next twelve months. Of note is the number of pathology tests undertaken in the US, Europe and Australia exceeds 5 Billion transactions annually.

In summary, moving ahead, our repositioned value proposition aiming at the Global Home Care & assisted-living market of US$228 Bn, is expected to generate long term revenue opportunities from simple SaaS models through to complete home care that incorporates SaaS and hardware in an integrated way, currently not seen in the market, on a global basis. Market segways leading from the Global Care market are many with strong repeat revenues available to LSH.

So, on behalf of the board and executive I thank you for your continued support and look forward to 2017 and beyond in what is an exciting and expanding market.

Sincerely,

Tilo Brandis
Chairman
Lifespot Health
On behalf of the Board of Directors

OPERATIONAL AND FINANCIAL REVIEW

Principal activities

The Company operates within the digital health sector and is focused on developing and commercialising medical diagnostic and monitoring technology, which includes the BodyTel System and the Lifespot Skin System.

The principal activities of the Group during the financial period were:

- facilitating listing of the company to the official list of the ASX;
- acquisition of BodyTel GmbH and Lifespot AG;
- obtaining through those acquisitions the rights to commercialise the BodyTel system and the Lifespot Skin System.

A large majority of the Group's operations will be conducted in Germany.

Significant changes to Activities

There were no significant changes in the nature of the Group's principal activities during the financial period, with the exception of the matters listed under the heading of Principal activities.

Our Business Model and Objectives

The Company's strategy is to continue development of the existing BodyTel business in Germany, and commercialise the BodyTel System and the Lifespot Skin System in Australia, and where possible, in other international markets.

The Group's objective is to deliver increases in shareholder value, by delivering against the key elements of the strategy and business model.

There is a clear orientation towards growing the existing businesses within the Group, however, a disciplined approach to evaluating other investment opportunities is maintained.

Operating results

The consolidated loss of the Group amounted to $348,364, after providing for income tax of $nil.

Review of Operations

The Group did not actively trade during the period since incorporation (13 April 2016) to 31 December 2016. It incurred listing and related costs. It acquired its subsidiaries on 28 December 2016. It was listed on the ASX on 10 January 2017, following receiving maximum subscription under its Prospectus.

Business Risks

The following exposures to business risk may affect the Group's ability to achieve its objectives.

- It may not be able to successfully commercialise the BodyTel System and/or Lifespot Skin System, and/or sell those to sufficient customers to generate profits;
- The BodyTel System is operational and is improved on a regular basis. Further improvement to stay ahead of competition may be necessary. Regulatory and quality requirements could hamper the same;
- The Lifespot Skin System is in development stage. There is no guarantee it will be successfully developed nor integrated with existing 'back-end' technology;
- There is no guarantee that patients, medical professionals or other potential clients will utilise these systems.

Environmental Issues

The Group's operations are not believed to be subject to significant environmental regulations under the laws of the Commonwealth and state.

OPERATIONAL AND FINANCIAL REVIEW

Financial Position

The Group has a healthy balance sheet with total assets of $8.575 million as at 31 December 2016 and net assets of $7.313 million, represented in the main by cash and cash equivalents of $7.611 million. The net assets of the Group amount to $7.313 million at 31 December 2016 due to:-

- capital raisings; offset by
- a current period loss from operations.

The Group's financial position will allow it to further develop the BodyTel System and Lifespot Skin System.

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

OPERATIONAL AND FINANCIAL REVIEW

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the company during the financial period, except for the issue of shares to seed investors and through the Prospectus, and the acquisition of subsidiary companies already referred to in this report.

Events after the Reporting Period

On 10 January 2017, the company was admitted to the official list of the ASX, following the issue of 40 million ordinary shares at a price of 20 cents per share, raising $8 million before costs.

In preparing these financial statements, the Directors had formed the view that the actual ASX listing was an adjusting event after the reporting date, necessitating the Company to account for the issue of shares as it had occurred by 31 December 2016. The basis of reaching this conclusion was:

- the Company received conditional approval for listing from the ASX on 28 December 2016 and the proceeds from the fund raising were receipted,
- completion of the acquisition of the subsidiaries was also conditional on the Company obtaining ASX's conditional approval to list, and
- the Boards of Directors having reasonable belief that the listing would be finalised and the conditions outlined by ASX met soon after period end.

As a result of the above, the Board also concluded that the Company had to prepare these financial statements in the form required of a listed company, including preparation of a remuneration report.

Future developments, Prospects and Business Strategies

Key areas of strategic focus of the Group include:-

- continued operation and expansion of the BodyTel business in Germany;
- The roll-out of BodyTel System into new global markets (principally the European & Australian markets), with a strong focus on the development and commercialization of medical diagnostic and telemonitoring technologies in hospitals, clinics and multinational hardware companies.
- Completion of the development and commercialization of the Lifespot Skin System.

These developments, together with the current strategy of continuous improvement and adherence to quality control should assist the group's long-term goals. Due to the stage of development of these systems, it is not currently possible to predict future results of these operations.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of Lifespot Health Ltd and its controlled entities for the financial period ended 31 December 2016. The information in the preceding operating and financial review forms part of this directors' report for the financial period ended 31 December 2016 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were directors of the company during or since the end of the financial period up to the date of this report:

Tilo Brandis – Non-Executive Chairman (appointed 13 April, 2016)

Heinrich Emden – Executive Director (appointed 8 November 2016)

Francesco Cannavo – Non-Executive Director (appointed 13 April 2016)

Mark Tablot – Non-Executive Director (appointed 8 November 2016)

Philip Bekhor – Non-Executive Director (appointed 13 January 2017)

Justyn Stedwell – Non-Executive Director (appointed 13 April 2016, resigned 8 November 2016)

Andrea Empl – Non-Executive Director (appointed 13 April 2016, resigned 1 July 2016)

Claus George Muller – Non-Executive Director (appointed 1 July 2016, resigned 8 November 2016)

Particulars of each director's experience and qualifications are set out later in this report.

Dividends Paid or Recommended

Dividends paid or declared for payment during the financial period are $nil.

Indemnifying Officers or Auditor

During or since the end of the financial period, the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the company, other than conduct involving a wilful breach of duty in relation to the company. The premiums for the directors amounted to $74,536.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the financial period.

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

– all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

– the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to HLB Mann Judd Corporate Finance Pty Ltd, a related entity of HLB Mann Judd (VIC Partnership) for non-audit services provided during the period ended 31 December 2016:

	$
Taxation services	-
Due diligence investigations	49,500
	49,500

Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 31 December 2016 has been received and can be found on page 13 of the financial report.

Options

At the date of this report, the unissued ordinary shares of Lifespot Health Ltd under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
25 October 2016	25 October 2019	$0.30	6,550,000
28 December 2016	28 December 2019	$0.30	1,000,000

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the period ended 31 December 2016, no ordinary shares were issued on the exercise of options granted.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Information Relating to Directors and Company Secretary

The names of Directors in office at any time during or since the end of the financial period are:

Tilo Brandis
Non-Executive Chairman (appointed 13 April 2016)

Tilo Brandis studied mechanical engineering at the Technical Universities of Braunschweig and Hamburg-Harburg as well as business administration at the University of Stirling before moving into management consulting. He has held General management and CEO roles at Siemens transportation and automotive divisions for 11 years, and has held the position of managing director at Rail-One, Track-Tec and B2X Care Solutions.

Mr Heinrich Emden
Executive Director (appointed 8 November 2016)

Heinrich Emden holds a Master's degree in Computing Science and has worked for BodyTel since 2013. He coordinates all internal and external developer teams and is responsible for the constant evolution and development of the BodyTel System.

Prior to joining BodyTel, Heinrich gained valuable experience at several multinational organisations including IBM, Continental AG, Symrise and ATOS. During his tenure at these organisations, Heinrich's role was largely focused on telecommunication and information technology development. Heinrich's professional expertise relevantly encompasses the upcoming 'Big Data', data warehousing and mobile application industries.

Mr Francesco Cannavo
Non-Executive Director (appointed 13 April 2016)

Francesco Cannavo is an experienced public company director with significant business and investment experience working with companies operating across various industries, and has been instrumental in assisting several listed and unlisted companies achieve their growth strategies through the raising of investment capital and the acquisition of assets.

Francesco is an entrepreneur with a strong network of investors and industry contacts in the public company sector throughout the Asia-Pacific region and has extensive experience in capital raisings, investment activities and IPO's. Francesco is currently a non-executive director of ASX-listed company, WONHE Multimedia Commerce Ltd (ASX:WMC).

Mr Mark Talbot
Non-Executive Director (appointed 8 November 2016)

Mark Talbot has been involved in the delivery of technology projects for over 25 years. This has seen him working for several multinationals such as Bechtel, Aloca, Broadspectrum and Ford.

Mark was instrumental in the development of the Imunexus core strategy and implementation whilst sitting on the board. Mark has been involved in other Bio tech companies including his role as a non-executive director at Liquitab systems.

After seeing the need for a bridge from the investor to the commercial world, Mark's interest in new start-up ventures began 15 years ago with his involvement in the development of concept ideas when working for a small boutique consultancy.

DIRECTORS' REPORT

Dr Philip Sion Bekhor **Non-Executive Director (appointed 13 January 2017)**	Dr Bekhor is a graduate of the University of Melbourne and a Fellow of the Australasian College of Dermatologists. He trained both in Melbourne and Toronto, Canada. He is a specialist in procedural dermatology, which involves the laser and surgical management of skin disorders including cosmetic dermatology. In 1982, Dr Bekhor was the first dermatologist in Victoria to use lasers in the management of birthmarks. In 1988, he was appointed the founding Director of the Laser Unit at the Royal Children's Hospital to direct treatment with the then newly released Candela Pulsed Dye Laser. This was the first laser able to safely treat children with port wine stains and similar lesions. The Laser Unit at the RCH is a world recognised treatment, training and research centre. In 1993, Dr Bekhor established Laser Associates of Victoria, a private, specialist supervised laser clinic. In addition to laser therapy, Dr Bekhor is particularly interested in those newly evolving cosmetic procedures that are safe and effective with minimal downtime, such as superficial skin peels, fat transfer, injections of natural and synthetic 'filler' substances, and wrinkle reducing muscle relaxants. He believes that these safe, simple approaches have, in many cases, replaced laser resurfacing and surgery, both of which have longer recovery times and involve more risk. Dr Bekhor is a specialist Mohs Micrographic surgeon – one of a small group of dermatologic surgeons qualified to perform this specific method of skin cancer removal which achieves tumour removal with the minimum disfigurement. Mohs surgery is performed at the Skin and Cancer Foundation in Carlton, Victoria.
Justyn Stedwell **Non-Executive Director (appointed 13 April 2016, resigned 8 November 2016)** **Company Secretary appointed 13 April 2016**	Justyn has over 10 years' experience as a Company Secretary of ASX-listed companies in a wide range of industries including biotechnology, agriculture, mining and exploration, information technology and telecommunications. Justyn's qualifications include a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting at Deakin University and a Graduate Diploma in Applied Corporate Governance at the Governance Institute of Australia. He is currently Company Secretary of several ASX-listed companies.
Andreas Empl **Non-Executive Director (appointed 13 April 2016, resigned 1 July 2016)**	Mr. Andreas Empl is a learned advertising specialist focused on Investor Relations and corporate finance in the past years. Before he was in several management boards of stock market listed companies, especially in the time of the "Neuer Markt" in Germany. At this time he was CIO of IPC ARCHTEC AG, the biggest supplier of IT-hardware in Europe, specialised in mobile devices (notebooks, etc.). Since 2002 he built up his own company "Empl Capital GmbH", a corporate finance and investor relations agency with over 25 employees in the top. From 2009 on he was in the management board of Playhouse Group N.V., an online-gaming platform and was working for a corporate finance company in London until today. He is responsible for many international clients in the field of investor relations, corporate finance and strategy consulting. Especially during the years 2005 until 2009 he was a well-known Business Angel and has a lot of experience in funding for publicly listed Australian small cap companies. He organised over 20 Duallistings and IPO´s for these companies.
Claus George Muller (appointed 1 July 2016, resigned 8 November 2016).	Mr. Müller began his career at Motorola Semiconductor after received a Master's Degree in electrical. In 1990 he joined AMS Electronic GmbH and managed the business sector of fiber optics. In 1994, Mr. Müller founded ADVA, and in 1999 led the company through one of the most successful IPO's on the new market. In 2000 he founded AIFOTEC AG and held the position as CEO. In 2001 he founded mic GmbH and in 2006, mic GmbH transferred all of its business operations over to mic AG.

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Meetings of Directors

During the financial period, meetings of directors (including committees of directors) were held. Attendances by each director during the period were as follows:

	Directors No. Held	Directors No. Attended	Audit & Risk No. Held	Audit & Risk No. Attended
Mr Tilo Brandis	8	5	0	0
Mr Heinrich Emden	4	2	0	0
Mr Francesco Cannavo	8	8	0	0
Mr Mark Talbot	4	2	0	0
Mr Justyn Stedwell	5	5	0	0
Mr Andreas Empl	1	1	0	0
Mr Claus George Muller	3	0	0	0

REMUNERATION REPORT (AUDITED)

Remuneration Policy

The remuneration policy of Lifespot Health Ltd has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Lifespot Health Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Group, as well as creating goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

– The remuneration policy is to be developed by the Board

– All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

– Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.

– Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

– The Board reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP do not receive any other retirement benefits other than any applicable statutory superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

In addition, the Board's remuneration policy prohibits directors and KMP from using the company's shares as collateral in any financial transaction, including margin loan arrangements.

No remuneration consultant was engaged to assess remuneration this period.

REMUNERATION REPORT

Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the company bases the assessment on audited figures; however, where the KPI involves comparison of the Group, or a division within the Group, to the market, independent reports are obtained from organisations such as Standard & Poor's.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The method applied to achieve this aim, was a performance-based bonus based on KPIs. The company believes this policy will be effective in increasing shareholder wealth.

The following table provides details about the Group for the period ended 31 December 2016.

	2016
Revenue	747
Net loss	(348,364)
Share price at period end	NA
Dividends paid	NA

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial period, members of KMP of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

	Position Held as at 31 December 2016 and any Change during the period	**Contract Details (Duration and Termination)**	**Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)**		**Proportions of Elements of Remuneration Not Related to Performance**
			Non-salary Cash-based Incentives	**Shares/ Units**	**Fixed Salary/ Fees**
			%	**%**	**%**
Group KMP					
T. Brandis	Director	Nil	-	-	100
H. Emden	Director	4 months	-	-	100
F. Cannavo	Director	Nil	-	-	100
M. Talbot	Director	Nil	-	-	100
P. Bekhor	Director	Nil	-	-	100
S. Schnaps	CEO of BodyTel	4 months	-	-	100

REMUNERATION REPORT

The employment terms and conditions of all KMP are formalised in contracts of employment/Directors Services Agreements.

Remuneration Expense Details for the Period Ended 31 December 2016

The following table of benefits and payments represents the components of the current period remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of Benefits and Payments for the Period Ended 31 December 2016

	Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments				
	Salary, Fees and Leave	Profit Share and Bonuses	Non-monetary	Other	Pension and Super-annuation	Other	Incentive Plans	LSL	Shares / Units	Options/ Rights	Cash-settled Share-based Payments	Termination Benefits	Total
	$	$	$	$	$	$	$	$	$	$	$	$	$
Group KMP	80,000*	-	-	-	-	-	-	-	-	110,000	-	-	190,000
Total KMP	80,000	-	-	-	-	-	-	-	-	110,000	-	-	190,000

* Consulting fees paid to a related entity of F Cannavo for services rendered up until listing of company on the ASX. No other directors received remuneration during the period.

Securities Received that Are Not Performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the period to KMP are as follows:

	Remuneration Type	Grant Date	Grant Value $	Reason for Grant *	Percentage Vested/Paid during period % (Note 1)	Percentage Forfeited during period %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment
Group KMP								
S. Schnaps	Personal Services	**25 Oct 2016**	**33,000**	**SBP**	**-**	**-**	**100**	**25 Oct 2019**
H. Emden	Personal Services	**25 Oct 2016**	**22,000**	**SBP**	**-**	**-**	**100**	**25 Oct 2019**
M. Talbot	Personal Services	**25 Oct 2016**	**27,500**	**SBP**	**-**	**-**	**100**	**25 Oct 2019**
P. Bekhor	Personal Services	**25 Oct 2016**	**27,500**	**SBP**	**-**	**-**	**100**	**25 Oct 2019**
Total	Personal Services	**25 Oct 2016**	**110,000**	**SBP**	**-**	**-**	**100**	**25 Oct 2019**

SBP = Share Based Payment

All options were issued by the company and entitle the holder to one ordinary share in the company for each option exercised. There have not been alterations to the terms or conditions of any option since grant date.

REMUNERATION REPORT

Options and Rights Granted as Remuneration

	Balance at Beginning of Period	Grant Details			Exercised		Lapsed	Balance at End of Period
		Issue Date	No.	Value $ (Note 1)	No. (Note 2)	Value $ (Note 3)	No. (Note 4)	No.
Group KMP								
Directors	-	25 October 2016	700,000	77,000	-	-	-	700,000
Executives	-	25 October 2016	300,000	33,000	-	-	-	300,000
			1,000,000	110,000	-	-	-	1,000,000

	Balance at End of Period	Vested			Unvested
		Exercisable	Un-exercisable	Total at End of Period	Total at End of Period
	No.	No.	No.	No.	No.
Group KMP					
Directors	700,000	700,000	-	700,000	-
Executives	300,000	300,000	-	300,000	-

Note 1 The fair value of options granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

Note 2 No options were exercised during the period.

Note 3 The value of options that have been exercised during the financial period as shown in the above table was determined as at the time of their exercise.

Note 4 No options lapsed in the period.

Description of Options/Rights Issued as Remuneration

Details of the options granted as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price $	Value per Option at Grant Date $	Amount Paid/ Payable by Recipient $
25 October 2016	The Company	1 ordinary share for 1 option	25 October 2016 to 25 October 2019	$0.30	0.11	-

Option values at grant date were determined using the Binomial model.

Details relating to service and performance criteria required for vesting have been provided in the Cash Bonuses, Performance-related Bonuses and Share-based Payments table.

REMUNERATION REPORT

KMP Shareholdings

The number of ordinary shares in Lifespot Health Ltd held by each KMP of the Group during the financial period is as follows:

	Balance at Beginning of Period	Granted as Remuneration during the Period	Issued or Exercise of Options during the Period	Other Changes during the Period *	Balance at End of Period
Director					
Tilo Brandis	-	-		300,000	300,000
Heinrich Emden	-	-	-	-	-
Francesco Cannavo	-	-	-	-	-
Mark Talbot	-	-	-	-	-
Dr Philip Bekhor	-	-	-	-	-
Executive					
Stefan Schnaps	-	-	-	-	-
Company Secretary					
Justyn Stedwell	-	-	-	-	-
Total	**-**	**-**	**-**	**300,000**	**300,000**

*Issued as founder shares on incorporation of the company

KMP Option holdings

The number of options in Lifespot Health Ltd held by each KMP of the Group during the financial period is as follows:

	Balance at Beginning of Period	Granted as Remuneration during the Period	Issued or Exercise of Options during the Period	Other Changes during the Period *	Balance at End of Period
Director					
Tilo Brandis	-	-		1,000,000	1,000,000
Heinrich Emden-	-	200,000	-	-	200,000
Francesco Cannavo	-	-	-	-	-
Mark Talbot	-	250,000	-	-	250,000
Dr Philip Bekhor	-	250,000	-	-	250,000
Executive					
Stefen Schnaps	-	300,000	-	-	300,000
Company Secretary					
Justyn Stedwell	-	-	-	-	-
Total	**-**	**1,000,000**	**-**	**1,000,000**	**2,000,000**

*Issued as founder shares on incorporation of the company

REMUNERATION REPORT

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings, nor any loans to KMP.

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:

Frank Cannavo
Director
31 March 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Lifespot Health Ltd for the period ended 31 December 2016, I declare that to the best of my knowledge and belief there have been no contraventions of:

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

This declaration is in respect of Lifespot Health Ltd and to the entities it controlled during the period.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016

	Note	Consolidated Group 2016 $
Continuing operations		
Revenue		-
Other income	3	747
Directors' Fees & Costs		(190,000)
Travel		(42,761)
Entertainment		(35,461)
Software Costs		(26,616)
Consulting Costs		(15,000)
Other expenses		(39,273)
(Loss) before income tax		(348,364)
Tax expense	4	-
Net (Loss) from continuing operations		(348,364)
Profit/(Loss) from discontinued operations after tax		-
Net (loss) for the period		(348,364)
Other comprehensive income for the period		-
Total comprehensive Income/(loss)		(348,364)
Members of the parent entity		(348,364)
Non-controlling interest		-
		(348,364)
Earnings per share		
From continuing and discontinued operations:		
Basic earnings per share (cents)		(1.35)
Diluted earnings per share (cents)		(1.31)
From continuing operations:		
Basic earnings per share (cents)		(1.35)
Diluted earnings per share (cents)		(1.31)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Consolidated Group
		2016
		$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	8	7,610,505
Trade and other receivables	9	614,480
TOTAL CURRENT ASSETS		8,224,985
NON-CURRENT ASSETS		
Property, plant and equipment	11	27,003
Intangible assets	12	323,440
TOTAL NON-CURRENT ASSETS		350,443
TOTAL ASSETS		8,575,428
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	13	1,185,337
TOTAL CURRENT LIABILITIES		1,185,337
NON-CURRENT LIABILITIES		
Deferred Tax Liabilities	4	77,033
TOTAL NON-CURRENT LIABILITIES		77,033
TOTAL LIABILITIES		1,262,370
NET ASSETS		**7,313,058**
EQUITY		
Issued capital	14	8,018,190
Options Reserve		220,000
Other Reserves		(576,768)
Accumulated Losses		(348,364)
TOTAL EQUITY		**7,313,058**

The accompanying note form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

	Issued Capital	Acc Losses	Options Reserve	Other Reserves	Total
	$	$	$	$	$
Issue of shares	9,248,500	-	-	-	9,248,500
Total comprehensive income	-	(348,364)	-	-	(348,364)
Capital raising costs	(1,230,310)	-	-	-	(1,230,310)
Options issued to Directors & CEO	-	-	110,000	-	110,000
Options issued to Lead Manager	-	-	110,000	-	110,000
Transaction between entities					
Under common control	-	-	-	(576,768)	(576,768)
Total – 31 December 2016	8,018,190	(348,364)	220,000	(576,768)	7,313,058

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016

	Note	Consolidated Group 2016 $
Cashflows from operating activities:-		
Receipts from customers		747
Payments to suppliers and employees		(229,772)
Net cash (used in) operating activities	16 a	(229,025)
Cashflow from investing activities:-		
Payment for subsidiaries, net of cash acquired (Note 16)	16 c	(435,107)
Payment for intangibles		(14,400)
Net cash (used in) investing activities		(449,507)
Cash flows from financing activities:-		
Cash Proceeds from issue of shares (net of capital raising costs)		8,289,037
Net cash provided by/(used in) financing activities		8,289,037
Net increase in cash held		7,610,505
Cash and cash equivalents at beginning of financial period		-
Cash and cash equivalents at end of financial period	8	7,610,505

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

These consolidated financial statements and notes represent those of Lifespot Health Ltd and Controlled Entities (the "consolidated group" or "Group").

The separate financial statements of the parent entity, Lifespot Health Ltd, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 31 March 2017 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Lifespot Health Ltd) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 10.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase, except in circumstances of common control acquisitions (see Note 10 (c)).

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value *(full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets *(proportionate interest method).* In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Refer to Note 10 for information on the goodwill policy adopted by the Group for common control acquisitions.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

b. **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

d. **Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

The carrying amount 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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are 20%.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, 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 guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

f. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting during the next reporting period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: *Revenue*. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. **Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

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

h. **Intangibles Other Than Goodwill**

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives ranging from 2 Years to 10 years.

Research and development

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

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

i. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional 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 values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, 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 other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

– assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;

– income and expenses are translated at average exchange rates for the period; and

– retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

j. **Employee Benefits**

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation benefits

All employees of the Group other than those that receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Binomial pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

k. **Provisions**

Provisions are recognised when the Group 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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

l. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

m. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax.

n. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(f) for further discussion on the determination of impairment losses.

o. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

p. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

q. **Comparative Figures**

As the Group was established on 13 April 2016, comparative information is not included in this report.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

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 information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) *Impairment – general*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgements

(i) *Provision for impairment of receivables*

No provision for impairment has been deemed necessary at reporting date in respect of receivables.

s. **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9*: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact

– AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

  This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a “business” as defined in AASB 3 to an associate or joint venture, and requires that:

  - a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor’s interest in that associate or joint venture;
  - the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
  - any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor’s interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

  The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor’s interest.

  The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group’s financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: PARENT INFORMATION

	2016 $
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.	
Statement of Financial Position	
ASSETS	
Current assets	8,017,808
Non-current assets	554,820
TOTAL ASSETS	8,572,628
LIABILITIES	
Current liabilities	669,979
Non-current liabilities	-
TOTAL LIABILITIES	669,979
NET ASSETS	7,902,649
EQUITY	
Issued capital	8,018,190
Accumulated losses	(335,541)
Option reserve	220,000
TOTAL EQUITY	7,902,649
Statement of Profit or Loss and Other Comprehensive Income	
Total profit/(loss)	(335,541)
Total comprehensive income/(loss)	(335,541)

Guarantees:

No Guarantees were entered into by the parent entity.

Contingent Liabilities:

The parent entity did not have any contingent liabilities as at 31 December 2016.

Contractual Commitments:

As at 31 December 2016, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

NOTE 3: REVENUE AND OTHER INCOME

		Consolidated Group 2016 $
–	Sundry revenue	747
	Total revenue	747
b.	**Total revenue and other income from continuing operations**	
–	attributable to members of the parent entity	747
		747

NOTE 4: TAX EXPENSE

		Consolidated Group 2016 $
a.	The components of tax (expense) income comprise:	
	Current tax	-
	Deferred tax	-
		-
b.	The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to income tax as follows:	
	Prima facie tax payable on profit from ordinary activities before income tax at 30%	(104,509)
	Tax effect of IPO costs (allowable)	(369,093)
	Non-Deductible Costs	10,683
	Tax losses not brought to account	229,471
	Income tax attributable to entity	-
	The applicable weighted average effective tax rates are as follows:	**0%**
c.	Tax effects relating to each component of other comprehensive income:	-
d.	Gross Tax Losses not recognised as deferred tax asset	764,903
e.	Deferred Tax Liability	
	Balance (start of period)	-
	Acquisition of controlled entity	77,033
	Balance (end of period)	77,033

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the period ended 31 December 2016.

The totals of remuneration paid to KMP of the company and the Group during the period are as follows:

	2016 **$**
Short-term employee benefits	80,000
Post-employment benefits	-
Other long-term benefits	-
Share-based payments	110,000
Total KMP compensation	190,000

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current period's estimated costs of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the financial period and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the financial period, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

NOTE 6: AUDITOR'S REMUNERATION

		2016 **$**
Remuneration of the auditor for:		
–	auditing or reviewing the financial statements	25,750
–	due diligence services	49,750
		75,500

NOTE 7: EARNINGS PER SHARE

		Consolidated Group
		2016
		$
a.	Reconciliation of earnings to profit or loss:	**No.**
	Profit/(Loss)	(348,364)
b.	Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	25,837,873
	Weighted average number of dilutive options outstanding	2,265,000
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	28,102,873
c.	Diluted EPS are not reflected for discontinued operations as the result is antidilutive in nature.	
d.	Antidilutive options on issue not used in dilutive EPS calculation	-

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group
	2016
	$
Cash at bank and on hand	7,610,505
	7,610,505

The effective interest rate was 0%

Reconciliation of cash

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	7,610,505
	7,610,505

NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group
		2016
		$000
CURRENT		
Trade Receivables		203,385
Loan - Lifespot AG (unsecured and interest free)		298,909
GST Receivable		108,598
Other		3,588
		614,480

b. **Provision for Impairment of Receivables**

No provision for impairment of receivables has been raised.

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than the amount owing from Lifespot Capital AG. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has credit risk exposures in Australia and Germany operations in those regions. The Group’s exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	Consolidated Group
AUD	**2016** **$**
Australia	407,756
Germany	206,724
	614,480

The following table details the Group’s trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as “past due” when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

			Past Due but Not Impaired (Days Overdue)				
	Gross Amount	**Past Due and Impaired**	**<30**	**31-60**	**61-90**	**>90**	**Within Initial trade Terms**
	$	**$**	**$**	**$**	**$**	**$**	**$**
2016							
Other receivables	614,480	-	-	-	-	-	614,480
Total	614,480	-	-	-	-	-	614,480

NOTE 10: INTERESTS IN SUBSIDIARIES

a. **Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	Proportion of Non-controlling Interests
		2016	**2016**
		%	**%**
Body Tel GmbH	**Germany**	**100**	**-**
Lifespot AG	**Germany**	**100**	**-**

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

b. **Significant Restrictions**

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

c. **Acquisition of Controlled Entities**

By holding 100% of the outstanding voting shares in both entities, the Group holds the majority of the seats on the Board, thereby giving the Group the current ability to direct the relevant activities of the subsidiary companies details of acquisitions are set out below:-

On 8 November 2016, the Company entered into a Share Purchase Agreement with Lifespot Capital AG (Lifespot Capital) to acquire 100% of the issued share capital in BodyTel, Gmbh (Bodytel) and Lifespot AG (Lifespot Skin). The Agreement was conditional on certain conditions precedent being satisfied or waived by 30 June 2017. These conditions were met on 28 December 2016 and the Company obtained control of BodyTel GmbH and Lifespot AG.

The consideration was payable in 2 steps, in a first step, Lifespot Capital receive 20,000,000 shares in the company upon its incorporation as part payment of the purchase price payable. In a second step, Lifespot Capital received 2 million shares at a deemed issue price of 20 cents per share in the Company and cash consideration of EUR 300,000 (adjusted for any debt and cash held by BodyTel and Lifespot Skin) upon conditions precedent being satisfied or waived. In determining the accounting treatments to be applied, the Directors considered the following:-

i. Lifespot Skin did not meet the definition of a business as outlined in AASB 3 *Business Combinations.* It was assessed that Lifespot Skin, given its early stage of development did not meet the definition of a business and will be accounted for as an asset acquisition, and

ii. The company, BodyTel and Lifespot Skin were controlled by Lifespot Capital AG before and after the acquisition. In respect of BodyTel and Lifespot Skin, it was assessed that their acquisitions met the definition of a transaction between entities under common control as outlined in AASB 3.

As a 'transaction between entities under common control' the acquisition did not meet the definition of a business combination as per AASB 3 *Business Combinations*. As a result, the Company incorporated the assets and liabilities of the entities acquired at their pre-combination carrying amounts without any fair value uplift. This accounting is applied on the basis that there is no substantive change arising from the transaction. No goodwill has been recorded as part of the transaction, instead, any difference between the cost of the transaction and the carrying value of the net assets acquired is recorded in equity as 'Other Reserves'.

NOTE 10: INTERESTS IN SUBSIDIARIES

	Fair Value **$**
Purchase consideration:	
– Cash	439,329
– Ordinary shares	401,000
– Working capital adjustment	(299,909)
	540,420
Less:	
Cash	4,222
Trade receivables	207,526
Prepayments	3,338
Property, plant and equipment	27,109
Intangibles	309,145
Trade & Other Payables	(510,655)
Deferred Tax	(77,033)
Identifiable assets acquired and liabilities assumed	(36,348)
Other Reserves	576,768

Revenue and expenses of the subsidiaries are included in the consolidated results of the Group since the acquisition date on 28 December 2016 and amounted to $Nil and $12,823 respectively.

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group
	2016 **$**
Plant and Equipment	
Plant and equipment:	
At cost	51,401
Accumulated depreciation	(24,398)
Accumulated impairment losses	-
	27,003
Total property, plant and equipment	27,003

a. **Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period:

	Plant and Equipment	Total
	$	$
Acquisitions through common control transaction	27,003	27,003
Balance at 31 December 2016	27,003	27,003

b. **Impairment Losses**

The total impairment loss recognised in the statement of profit or loss and other comprehensive income during the period amounted to $Nil and is separately presented in the statement as “impairment of property, plant and equipment”.

NOTE 12: INTANGIBLE ASSETS

	Consolidated Group
	2016 **$000**
Trademarks and licences:	
Cost	14,400
Accumulated amortisation and impairment losses	-
Net carrying amount	14,400
Intellectual Property	
Fair value	592,509
Accumulated amortisation and impairment losses	(283,469)
Net carrying amount	309,040
Total intangibles	323,440

	Trademarks & Licences	Intellectual Property
	$	$
Period ended 31 December 2016		
Balance at the beginning of the period	-	-
Additions	14,400	-
Acquisitions through common control transaction	-	309,145
Amortisation	-	(105)
Closing value at 31 December 2016	14,400	309,040

Intangible assets, have finite useful lives. Amortisation charges for intangible assets will be included under depreciation and amortisation expense in the statement of profit or loss once their assets are ‘ready for use’.

NOTE 13: TRADE AND OTHER PAYABLES

	Note	Consolidated Group
		2016
		$
CURRENT		
Unsecured:-		
Trade payables		1,170,337
Sundry payables and accrued expenses		15,000
		1,185,337

a. **Financial liabilities at amortised cost classified as trade and other payables**

Trade and other payables:		
– total current		1,185,337
Financial liabilities as trade and other payables		1,185,337

		Consolidated Group	
NOTE 14: CAPITAL		**2016** **No.**	**2016** **$**
a.	**Ordinary Shares**		
	At the beginning of the reporting period	-	
	Shares issued during the period:		
–	Lifespot Capital AG	22,000,000	401,000
–	Seed Investors	7,250,000	710,000
–	Advisor/promoter	5,000,000	500
–	Lead IPO Manager *	690,173	137,000
–	Prospectus*	40,000,000	8,000,000
–	Capital raising costs	-	(1,230,310)
	At the end of the reporting period	74,940,173	8,018,190

* Issued after balance date based on prospectus which was fully subscribed.

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

b. **Capital Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital, and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group'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, distributions to shareholders and share issues.

	Note	Consolidated Group
		2016 **$**
Total borrowings		(1,185,337)
Less cash and cash equivalents	8	7,610,505
Net (debt)/cash		6,425,168
Total equity		7,313,058
Total capital		7,313,058
Gearing ratio		n/a

NOTE 15: OPERATING SEGMENTS

General Information

Identification of reportable segments

The Group is currently developing its Body System and Lifespot System Technology. This is deemed to be one industrial segment for reporting purposes.

Revenue by geographical region

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

	31 December 2016
	$
Australia	747
Germany	-
Total revenue	747

Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

Australia	8,032,208
Germany	543,220
Total assets	8,575,428

Major customers

The Group has no major customers to whom it provides both products and services at reporting date.

NOTE 16: CASH FLOW INFORMATION

		Consolidated Group
		2016 **$000**
a.	**Reconciliation of Cash Flows from Operating Activities with Profit/(loss) after Income Tax**	
	Profit/(Loss) after income tax	(348,364)
	Non-cash flows in profit/(loss):	
	– equity settled expense	110,000
	Changes in assets and liabilities, net of the effects of purchase of subsidiaries:	
	– (Increase) in trade and other receivables	(104,711)
	– increase trade payables and accruals	114,050
	Cash in/(out)flows from operating activities	(229,025)

b.	**Non-cash Financing and Investing Activities**	
	(i) Share issues:	
	22 million ordinary shares were issued as part of the consideration for the purchase of the subsidiaries.	401,000
	(ii) Option issues:	
	During the financial period, 7,550,000 options were used for $Nil consideration	-
		401,000

Purchase consideration for controlled entities – common control transaction	**$**
Cash paid and payable	439,329
Working capital	(299,909)
Fair value of shares issued	401,000
Total consideration	540,420
The assets and liabilities recognised as a result of the acquisition are as follows:-	
Cash	4,222
Trade Receivables and Prepayments	210,864
Property, plant and equipment	27,109
Intangible assets	309,145
Trade and Other Payables	(510,655)
Deferred Tax	(77,033)
Net Identifiable liabilities assumed	(36,348)
Excess of net assets over purchase consideration paid recognised as reserve	576,768
Cash paid	(439,329)
Cash acquired	4,222
	(435,107)

NOTE 17: SHARE-BASED PAYMENTS

(i) During the period, 7.55 million share options were granted to directors, the IPO Lead Manager and promoters and advisers by the company. The options hold no voting or dividend rights and are not transferable.

(ii) Options granted are as follows:

Grant Date	Number
25 Oct 2016	6,550,000
28 Dec 2016	1,000,000

These options vest over a 3 year period. Further details of these options are provided in the directors' report. Of these options, 2 million options were share based payments with a fair value of $220,000. This fair value was assessed adopting the Binomial model using the following inputs:

Exercise price	$0.30
Life of option	3 years
Share volatility	100%
Risk-free interest rate	1.56%

	Number	Weighted average exercise price
Options outstanding at start of period	-	-
Granted	7,550,000	0.30
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding at period end	7,550,000	0.30
Options exercisable as at 31/12/16	7,550,000	0.30

The weighted average remaining contractual life of options outstanding at period end was 3 years.

NOTE 18: RELATED PARTY TRANSACTIONS

Related Parties

a. **The Group's main related parties are as follows:**

(i) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 5.

(ii) *Other related parties:*

Other related parties include entities controlled by the parent entity and entities over which key management personnel have joint control.

b. **Transactions with related parties:**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No transactions occurred with related parties, except that $298,909 is owed by Lifespot AG to the company in relation to the acquisition of subsidiaries. The amount is interest free and unsecured.

c. **Amounts outstanding from related parties:**

No outstanding amounts exist except as set out in b) above.

d. **Amounts payable to related parties:**

None

NOTE 19: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group
		2016
		$000
Financial assets		
Cash and cash equivalents	8	7,610,505
Trade and other receivables	9	505,882
Total financial assets		8,116,387
Financial liabilities		
Financial liabilities at amortised cost:		
– trade and other payables	13	1,185,337
Total financial liabilities		1,185,337

Financial Risk Management Policies

The Board of Directors monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, currency risk, liquidity risk, and interest rate risk. It meets on a regular basis.

The Group's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk consisting of interest rate risk and foreign currency risk.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 14 to 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the consolidated statement of financial position. Credit risk can also arise through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries.

Collateral held by the Group securing receivables was $Nil at reporting date.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties except for the amount owing by Lifespot Capital AG. On a geographical basis, the Group has significant credit risk exposures to Germany as the subsidiaries operate in that region. Details with respect to credit risk of trade and other receivables are provided in Note 9.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 9.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor’s rating of at least BB. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor’s counterparty credit ratings.

	Note	Consolidated Group
		2016
		$
Cash and cash equivalents:		
– AA rated		7,610,505
	8	7,610,505

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Group has no external borrowings

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider there is any material risk the bank will terminate such facilities.

Cash flows realised from financial assets reflect management’s expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management’s expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	2016	2016	2016	2016
Consolidated Group	$	$	$	$
Financial liabilities due for payment				
Trade and other payables	1,185,337	-	-	1,185,337
Total contractual outflows	1,185,337	-	-	1,185,337
Total expected outflows	1,185,337	-	-	1,185,337
Financial assets – cash flows realisable				
Cash and cash equivalents	7,610,505	-	-	7,610,505
Trade, term and loan receivables	505,882	-	-	505,882
Total anticipated inflows	8,116,387	-	-	8,116,387
Net (outflow)/ inflow on financial instruments	6,931,050	-	-	6,931,050

Financial assets pledged as collateral

No financial assets have been pledged as security for debt at reporting date.

c. **Market risk**

(i) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk is cash and cash equivalents.

(ii) *Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With overseas operations, fluctuations in the Euro may impact on the Group's financial results.

It is the Group's policy not to hedge.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

NOTE 19: FINANCIAL RISK MANAGEMENT

2016	**Net Financial Assets/(Liabilities) in AUD**		
Consolidated Group	**EURO AUD**	**AUD**	**Total**
	$	**$**	**$**
Functional currency of entity:			
Australian dollar	n/a	7,610,505	7,610,505
Euro	(515,339)	n/a	(515,339)
Statement of financial position exposure	(515,339)	7,610,505	7,610,505

Foreign exchange forward contracts

The Group has no foreign exchange forward contracts at the end of the reporting period

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and FX movements. The table indicates the impact of how the net result reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
	Profit	**Equity**
Period ended 31 December 2016		
Increase in interest rate - 1%	**$76,005**	**$76,005**
Decrease in interest rate - 1%	**$76,005**	**$76,005**

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the Consolidated statement of financial position.

		2016	
Consolidated Group	**Note**	**Carrying Amount $000**	**Fair Value $000**
Financial assets			
Cash and cash equivalents[(i)]	8	7,610,505	7,610,505
Trade and other receivables:	9	505,882	505,882
Total financial assets		8,116,387	8,116,387
Financial liabilities			
Trade and other payables[(i)]	13	1,185,337	1,185,337
Total financial liabilities		1,185,337	1,185,337

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

NOTE 20: RESERVES

a. **Option Reserve**

The option reserve records the fair value of share options issued.

b. **Other Reserves**

Represents the excess of the purchase price over the identifiable fair value of net assets acquired from German subsidiaries.

NOTE 21: EVENTS AFTER THE REPORTING DATE

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

As previously outlined, the Company listed on the ASX on 10 January 2017. In preparing these financial statements, the Directors had formed the view that the actual ASX listing was an adjusting event after the reporting date, necessitating the Company to account for the issue of shares as it had occurred by 31 December 2016. The basis of reaching this conclusion was:

- the Company received conditional approval for listing from the ASX on 28 December 2016 and the proceeds from the fund raising were receipted,
- completion of the acquisition of the subsidiaries was also conditional on the Company obtaining ASX's conditional approval to list, and
- the Boards of Directors having reasonable belief that the listing would be finalised and the conditions outlined by ASX met soon after period end.

As a result of the above, the Board also concluded that the Company had to prepare these financial statements in the form required of a listed company, including preparation of a remuneration report.

NOTE 22: COMPANY DETAILS

The registered office and the principal place of business of the Company is Suite 2, 35 Toorak Road, South Yarra, VIC, 3141.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Lifespot Health Ltd, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 14 to 49 are in accordance with the *Corporations Act 2001* and:
    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
    b. give a true and fair view of the financial position as at 31 December 2016 and of the performance for the financial period ended on that date of the consolidated group;
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. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Frank Cannavo

Director

31 March 2017

HLB Mann Judd

Independent Auditor's Report to the Members of Lifespot Health Ltd

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Lifespot Health Ltd ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the period 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

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

HLB Mann Judd

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Acquisition of Controlled Entities
Refer to Note 10 ‘Interests in Subsidiaries</td></tr>
<tr><td>On 8 November 2016, the Company entered into a Share Purchase Agreement (SPA) with Lifespot Capital AG to acquire 100% of the issued capital of BodyTel GmbH (BodyTel) and Lifespot AG (Lifespot Skin). The directors determined that all conditions precedent to the SPA had been met on 28 December and therefore the Company effectively obtained control of Bodytel and Lifespot Skin from this date.

The directors considered and applied the following accounting treatment for the acquisitions:
i. Lifespot Skin did not meet the definition of a business as outlined in AASB 3 Business Combinations, given its early stage of development and was accounted for as an asset acquisition, and
ii. The Company, BodyTel and Lifespot Skin were controlled by Lifespot Capital AG before and after the acquisition. In respect of BodyTel and Lifespot Skin, it was assessed that their acquisitions met the definition of a transaction between entities under common control as outlined in AASB 3.

Due to the significant judgement required in determining the satisfaction of the conditions precedent under the SPA and accounting treatment for the acquisitions, the acquisition of the controlled entities was assessed to be a key audit matter.</td><td>We assessed management’s evaluation of the adopted accounting treatment and performed the following procedures, amongst others:
• Reviewed the terms and conditions of the SPA executed between the Company and Lifespot Capital AG to ensure that the acquisition date was appropriately determined.
• Reviewed the operating activities of Lifespot Skin and BodyTel to determine whether the entities meet the definition of a business as outlined in AASB 3 Business Combinations.
• Assessed the effective ultimate control of the Company, Lifespot Skin and BodyTel before and after the acquisition to ensure the treatment applicable to a ‘transaction between entities under common control’ was met.
• Reviewed IFRS and German GAAP analysis.
• Tested the value of the identifiable assets acquired and the liabilities assumed at acquisition-date.
• Tested the target working capital adjustment as outlined in the SPA to ensure the purchase consideration was adjusted accordingly.</td></tr>
</table>

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 Group’s annual financial report for the period ended 31 December 2016, 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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 for one 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 Group'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 Group'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 Group to cease to continue as a going concern.

HLB Mann Judd

- 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 Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the period ended 31 December 2016.

In our opinion, the Remuneration Report of Lifespot Health Ltd for the period ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
31 March 2017

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 30 March 2017

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding):	Number Holders	Units
1 - 1,000	6	764
1,001 - 10,000	173	1,107,475
10,001 - 50,000	195	5,342,510
50,001 - 100,000	54	4,614,936
100,001 - 500,000	83	18,486,616
500,001 - 1,000,000	7	5,814,890
1,000,001 <	9	39,572,982
Total	**527**	**74,940,173**

b. The number of shareholdings held in less than marketable parcels is 12

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder:	Number Ordinary
LIFESPOT CAPITAL AG	22,000,000

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

– Each ordinary share is entitled to one vote when a poll is called; otherwise each member present at a meeting or by proxy has one vote on a show of hands.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. **20 Largest Shareholders – Ordinary Shares**

Name		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	LIFESPOT CAPITAL AG	22,000,000	29.36
2.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	3,213,747	4.29
3.	AET SFS PTY LTD <PEAK OPPORTUNITIES FUND>	3,000,000	4.00
4.	MEDICAL HEALTH EQUITY LTD	2,900,000	3.87
5.	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,344,800	3.13
6.	MR YEO BOON CHYE	2,000,000	2.67
7.	CITICORP NOMINEES PTY LIMITED	1,966,979	2.62
8.	MR TONY GANDEL + MRS HELEN GANDEL	1,250,000	1.67

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. **20 Largest Shareholders – Ordinary Shares**

Name		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
9.	MR SUFIAN AHMAD <SIXTY TWO CAPITAL A/C>	1,120,900	1.50
10.	BUSINESS ANGEL CLUB LTD	1,000,000	1.33
11.	MS MERLE SMITH + MS KATHRYN SMITH <THE MINI PENSION FUND A/C>	930,000	1.24
12.	GREEN MOUNTAINS INVESTMENTS LTD	750,000	1.00
13.	NATIONAL NOMINEES LIMITED	719,624	0.96
14.	FREEDOM TRADER PTY LTD	690,173	0.92
15.	DEAD KNICK PTY LTD	500,000	0.67
16.	I-GLOBAL HOLDINGS PTE LTD	500,000	0.67
17.	MR GEE AIK LEE	500,000	0.67
18.	PYXIS HOLDINGS PTY LTD <THE MAPLETREE ACCOUNT>	500,000	0.67
19.	SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C>	500,000	0.67
20.	MR PAUL HENRI ARTHUR VERON + MRS JULIE ANNE VERON <DEAD KNICK SUPER A/C>	500,000	0.67
		46,886,223	**62.56**

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

2. The name of the company secretary is Justyn Stedwell.

3. The address of the principal registered office in Australia is Suite 2, 35 Toorak Road, South Yarra, VIC, 3141.
   Telephone: 03 9 041 6663

4. Registers of securities are held at the following addresses:

   Computershare

   Yarra Falls, 452 Johnston Street

   Abbotsford, VIC, 3067,

5. **Stock Exchange Listing**

   Quotation has been granted for ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**

   Options over Unissued Shares:

   A total of 7,550,000 options are on issue. 5,550,000 options are on issue to 9 holders of ordinary securities. 2,000,000 options are on issue to 4 directors and 1 employee .