

# Appendix 4D

## Half Year Report to the Australian Securities Exchange

### Part 1

<b>Name of Entity</b>	PainChek Limited
<b>ABN</b>	21 146 035 127
<b>Half Year Ended</b>	31 December 2018
<b>Previous Corresponding Reporting Period</b>	Half Year Ended 31 December 2017

### Part 2 – Results for Announcement to the Market

	<b>\$'000</b>	<b>Percentage increase /(decrease) over previous corresponding period</b>
<b>Revenue from continuing operations</b>	121	448%
<b>Loss from continuing activities after tax attributable to members</b>	(1,214)	(281%)
<b>Net loss attributable to members</b>	(1,214)	(281%)

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	Nil
<b>Interim Dividend</b>	Nil	Nil
<b>Record date for determining entitlements to the dividends (if any)</b>	Not Applicable	

**Brief explanation of any of the figures reported above necessary to enable the figures to be understood:**

See directors' report

### **Part 3 – Contents of ASX Appendix 4D**

<b>Section</b>	<b>Contents</b>
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4D
Part 4	Commentary on results
Part 5	Details relating to dividends
Part 6	Net tangible assets per security
Part 7	Details of entities over which control has been gained or lost
Part 8	Details of associates and joint venture entities
Part 9	Information on audit or review

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#### Part 4 – Commentary on Results

Refer to the Review of Operations contained in the Directors' Report which forms part of the attached Interim Financial Report for details.

#### Part 5 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

#### Part 6 – Net Tangible Assets per Security

	2018	2017
Net tangible asset backing per ordinary security	0.25 cents	0.53 cents

#### Part 7 – Details of Entities Over Which Control has been Gained or Lost

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining control	N/A
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	N/A

Name of entity (or group of entities) lost	N/A
Date control lost	N/A
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining control	N/A
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	N/A

### Part 8 – Details of Associates and Joint Venture Entities

Name of entity	Ownership Interest		Contribution to net profit/(loss)	
	2018 %	2017 %	2018 \$A'000	2017 \$A'000
	N/A	N/A	N/A	N/A
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

### Part 9 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input checked="" type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

If the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph:

Emphasis of matter relating to going concern.

### Attachments Forming Part of Appendix 4D

Attachment No.	Details
1	Interim Financial Report

Signed by Company Secretary

**Ian Hobson**

**Dated: 27 February 2019**



**PainChek Limited**

**ABN 21 146 035 127**

**Half year report for the half-year ended**

**31 December 2018**

## Corporate directory

### Board of Directors

Mr John Murray	Non-Executive Chairman
Mr Philip Daffas	Managing Director
Mr Adam Davey	Non-Executive Director
Mr Ross Harricks	Non-Executive Director

### Company Secretary

Mr Ian Hobson

### Registered Office

Suite 5, 95 Hay Street  
Subiaco, Western Australia 6008  
Tel: +61 8 9388 8290  
Fax: +61 8 9388 8256

### Principal Place of Business

Suite 401, 35 Lime Street  
Sydney NSW 2000

### Postal Address

PO Box 226  
Subiaco, Western Australia 6904

### Website

Website: [www.paincheck.com](http://www.paincheck.com)

### Auditors

BDO Audit Pty Ltd

### Share Registry

Boardroom Pty Ltd  
Grosvenor Place  
Level 12, 225 George Street  
Sydney, NSW 2000  
Tel: + 1 300 737 760  
Fax: +61 2 9290 9655

### Stock Exchange

Australian Securities Exchange  
20 Bridge Street  
Sydney, NSW 2000

### ASX Code

PCK

# Half year report for the half-year ended 31 December 2018

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## Directors' report

The directors of PainChek Limited ("PainChek" or "the Company") submit herewith the financial report of the Company and its subsidiary ("Group" or "Consolidated Entity") for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### Names of Directors

The names of the directors of the Company during or since the end of the half-year are noted below. Directors were in office for the entire period unless otherwise stated:

Mr John Murray  
Mr Philip Daffas  
Mr Ross Harricks  
Mr Adam Davey

### Operating results

During the half year the Group continued the commercialisation and development of the PainChek App and reported a loss from operations of \$1,213,988 (31 December 2017: \$3,417,535) principally due to:

- Research and development expenditure of \$963,971 (31 December 2017: \$834,152);
- Corporate and administration expenses of \$716,936 (31 December 2017: \$458,926);
- Marketing and business development expenses of \$343,989 (31 December 2017: \$161,177);
- Share based payments in respect of options issued to Directors and management of \$55,649 (non-cash) (31 December 2017: \$281,250); and
- Expensing license acquisition and fees of \$Nil ((31 December 2017: \$1,709,510 (non-cash \$1,312,500)).

### Review of operations

The PainChek® technology uses cameras in smartphones and tablets to capture a brief video of the person, which is analysed in real time using facial recognition software to detect the presence of facial micro- expressions that are indicative of the presence of pain. The PainChek® technology has been TGA and CE mark cleared for use as a class 1 medical device to assess pain in people who are unable to verbalise.

The company and technology have progressed from a concept to a market reality in less than two years, generating rapid initial sales and receiving market acceptance as a new solution for a large, global unmet clinical problem. In the process, we have validated the initial enterprise (B2B) business model in the aged care industry in Australia, with 18 residential aged care customers signed up to use our technology in 26 facilities across 1,789 beds as at 31<sup>st</sup> December 2018. We continue to build a strong sales pipeline for 2019, and have established a base for planned international expansion during the next 12 months.

During the half year we developed and released for testing a prototype children's App; and we also finalised the Home Carer/Consumer version of the dementia App. The marketing strategy is based on ensuring all home carers are suitably trained on pain assessment prior to home use.

We continued to develop relationships with leading vendors of software-based Care Management Systems (CMS) for residential aged care (RAC) homes, with a view to integrating our technology into their platforms. Currently we have 2 signed integration partners which are expected to go live during Q1 of 2019, and are in discussions with a number of others in Australia and overseas.



## Likely Developments and Overview of Group Strategy

Our strategy with the dementia App has been to launch into the Residential Aged Care market in Australia, and then expand into the Home Care market via enterprise customers and our “shared care” business model; before releasing a consumer retail version of the App. Our approach to executing our strategy has been to partner with existing industry players to reach our target market as well as selling direct to enterprise customers.

A key sales focus has been developing partnerships with existing vendors of CMS for the aged care sector to ensure integration of PainChek® assessments into these systems as well as provide customer introductions. We expect integration with these CMS companies will accelerate PainChek® take up, especially for the larger RAC providers. We are expecting a number of partnerships to go live during 2019.

In January 2019 (refer ASX release 16<sup>th</sup> January 2019) we also announced a partnership with Allity Aged Care and Ward Medication Management (Ward MM) to deliver personalised pain management for aged care residents. This new partnership will see PainChek® used by Allity in combination with Ward MM’s Thrive service, to deliver Personalised Pain Management to Australians living in aged care. This initiative is transferable across the broad Aged Care community in Australia and overseas and can help address the Australian Royal Commission issues within Aged Care and across a range of healthcare sectors including hospital settings such as the Emergency room, Surgical and Geriatric care and will support our strategies extending into the broader healthcare sector.

We continue to progress our overseas expansion strategy. In December 2018, we received a UK Department of International Trade Rocketship Award that provides financial support and local know how to set up a PainChek® operation in the UK. Initial business meetings are scheduled for February 2019 in London and across the UK that will include potential UK RAC clients and business partners. This fits perfectly with our original strategy of UK market entry in 2019 as well as providing a geographical base for mainland European entry. We have also Singapore and New Zealand business opportunities which continue to progress positively, and we are working with the German Pain Society to assess market entry into the German market. As a prerequisite to entry into the US market we completed the de-novo FDA pre-submission documentation, with guidance from the FDA regulators and our regulatory consultants. This documentation is being submitted to the FDA in late January/early February 2019. We continue to anticipate an FDA clearance during 2020 for the Adult App.

Our business strategy includes release of a Children’s App for assessing pain in young children. PainChek® has developed a novel approach to the development of the Children’s App using deep-learning algorithms to conduct automated facial analysis for infants. The new algorithm employs an adaptive video mode capability to capture facial micro-expressions indicative of the presence of pain in infants. The algorithm allows the capture and analysis of an infant’s face even when excessive head movements, partial obstruction, or non-frontal face view impacts part of the video being assessed. These are challenging problems for automated facial analysis in infants which we believe we have now addressed.

Preliminary results from beta testing of the algorithm revealed excellent performance. A PainChek® Children’s App version incorporating the technology will be used in the forthcoming clinical study in a major children’s hospital based on the east coast of Australia. We have finalised the clinical trial protocol with the children’s hospital and are expecting ethics approval during Q1 CY2019 and trial commencement in Q2. Commercial availability of the Kids App is slated for late CY2019.

We have received the registered Trade Mark for the PainChek® name and branding/logo in Australia and progressed positively with Trade Mark approvals in other jurisdictions. Our patent application continues to progress positively through each national filing.

**Subsequent events**


There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 4 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors



**John Murray**

**Chairman**

27 February 2019

Sydney, NSW

## Auditor's independence declaration



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### DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF PAINCHEK LIMITED

As lead auditor of PainChek Limited for the half year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'C R Jenkins', is written over a horizontal line.

**C R Jenkins**  
Director

**BDO Audit Pty Ltd**

Brisbane, 27 February 2019

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of PainChek Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of PainChek Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

#### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

### BDO Audit Pty Ltd



**C R Jenkins**  
Director

Brisbane, 27 February 2019

## Directors' declaration

The directors declare that:

- (a) 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
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standard AASB 134 '*Interim Financial Reporting*' and giving a true and fair view of the financial position at 31 December 2018 and performance of the Consolidated Entity for the period ended on that date.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors



**John Murray**  
**Chairman**  
27 February 2019  
Sydney, NSW

## Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

		Consolidated	
		31 Dec 2018	31 Dec 2017
		\$	\$
Note			
<b>Continuing operations</b>			
	Revenue	121,299	27,481
	Other Income – R&D Grant	745,258	-
	License expenses	-	(1,709,510)
	Research and development expenses	(963,971)	(834,152)
	Corporate administration expenses	(716,936)	(458,926)
	Sales and marketing expenses	(343,989)	(161,177)
	Share based payment expenses	(55,649)	(281,250)
	<b>Loss before income tax</b>	<b>(1,213,988)</b>	<b>(3,417,535)</b>
	<b>Loss for the period attributable to Owners of PainChek Limited</b>	<b>(1,213,988)</b>	<b>(3,417,535)</b>
	Other comprehensive income, net of income tax	-	-
	<b>Total comprehensive loss for the period</b>	<b>(1,213,988)</b>	<b>(3,417,535)</b>
	<b>Loss and total comprehensive loss attributable to:</b>		
	Owners of PainChek Limited	<b>(1,213,988)</b>	<b>(3,417,535)</b>
	<b>Loss per share:</b>		
	Basic and diluted (cents per share)	(0.1)	(0.4)

Condensed notes to the financial statements are included on pages 12 to 18.

## Consolidated statement of financial position as at 31 December 2018

	Note	Consolidated	
		31 Dec 2018	30 June 2018
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents		2,329,721	3,606,115
Trade and other receivables		101,849	62,098
<b>Total current assets</b>		<b>2,431,570</b>	<b>3,668,213</b>
<b>Non-current assets</b>			
Property, plant and equipment		6,716	4,384
<b>Total non-current assets</b>		<b>6,716</b>	<b>4,384</b>
<b>Total assets</b>		<b>2,438,286</b>	<b>3,672,597</b>
<b>Current liabilities</b>			
Trade and other payables		326,945	415,914
Provisions		39,977	31,980
<b>Total current liabilities</b>		<b>366,922</b>	<b>447,894</b>
<b>Total liabilities</b>		<b>366,922</b>	<b>447,894</b>
<b>Net assets</b>		<b>2,071,364</b>	<b>3,224,703</b>
<b>Equity</b>			
Issued capital	7	13,715,033	13,710,033
Reserves	8	3,143,663	3,088,014
Accumulated losses		(14,787,332)	(13,573,344)
<b>Total equity</b>		<b>2,071,364</b>	<b>3,224,703</b>

Condensed notes to the financial statements are included on pages 12 to 18.



## Consolidated statement of changes in equity for the half-year ended 31 December 2018

<b><i>Consolidated</i></b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2017</b>	<b>8,502,533</b>	<b>2,742,842</b>	<b>(8,762,812)</b>	<b>2,482,563</b>
Loss for the period	-	-	(3,417,535)	(1,711,956)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(3,417,535)</b>	<b>(3,417,535)</b>
Transactions with owners in their capacity as owners:				
Issue of ordinary shares	5,062,500	-	-	5,062,500
Share issue costs	(225,000)	-	-	(225,000)
Issue of shares on conversion of options	230,000	-	-	230,000
Recognition of share based payments	-	281,250	-	281,250
<b>Balance at 31 December 2017</b>	<b>13,570,033</b>	<b>3,024,092</b>	<b>(12,180,347)</b>	<b>4,413,778</b>
<b>Balance at 1 July 2018</b>	<b>13,710,033</b>	<b>3,088,014</b>	<b>(13,573,344)</b>	<b>3,224,703</b>
Loss for the period	-	-	(1,213,988)	(1,213,988)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(1,213,988)</b>	<b>(1,213,988)</b>
Transactions with owners in their capacity as owners:				
Issue of shares on conversion of options (refer to note 7)	5,000	-	-	5,000
Recognition of share based payments	-	55,649	-	55,649
<b>Balance at 31 December 2018</b>	<b>13,715,033</b>	<b>3,143,663</b>	<b>(14,787,332)</b>	<b>2,071,364</b>

Condensed notes to the financial statements are included on pages 12 to 18.

## Consolidated statement of cash flows for the half-year ended 31 December 2018

	Consolidated	
	Half-year ended	
	31 Dec 2018	31 Dec 2017
Note	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	52,385	14,940
Payments to suppliers and employees	(2,151,187)	(1,718,600)
Interest received	75,807	14,210
Rebates and grants received	745,258	-
Net cash used in operating activities	<b>(1,277,737)</b>	<b>(1,689,450)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(3,657)	(1,993)
Net cash used in investing activities	<b>(3,657)</b>	<b>(1,993)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	5,000	3,980,000
(Payment) of share issue costs	-	(225,000)
Net cash provided by financing activities	<b>5,000</b>	<b>3,755,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>(1,276,394)</b>	<b>2,063,557</b>
Cash and cash equivalents at the beginning of the period	3,606,115	2,630,019
<b>Cash and cash equivalents at the end of the period</b>	<b>2,329,721</b>	<b>4,693,576</b>

Condensed notes to the financial statements are included on pages 12 to 18.

## Condensed notes to the financial statements for the half-year ended 31 December 2018

### 1. Significant accounting policies

#### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with annual financial statements of the Group for the year ended 30 June 2018 together with any public announcements made during the following half year.

The half-year financial report was authorised for issue by the directors on 27 February 2019.

#### Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The fair value of financial assets and financial liabilities approximate their carrying values due to their short-term nature. The same accounting policies and methods of computation have generally been followed in these half year financial statements as compared to the most recent annual financial statements. There have been no new accounting policies adopted for the first time other than revenue and financial instruments.

#### Going concern basis

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

As disclosed in the financial statements, the consolidated entity has net operating cash outflows for the half year of \$1,277,737 (31 December 2017: \$1,689,450) and as at 31 December 2018 has cash and cash equivalents of \$2,329,721 (30 June 2018: \$3,606,115). The consolidated entity also generated a loss after tax of \$1,213,988 (31 December 2017: \$3,417,535).

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following conditions:

- the ability of the consolidated entity to raise sufficient capital and when necessary; and
- the successful commercialisation of its intellectual property in a manner that generates sufficient operating cash inflows.

These conditions give rise to material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern. The directors believe that the going concern basis of preparation is appropriate due to its recent history of raising capital and the significant progress made on exploiting its intellectual property.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at

amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

### **Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period**

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting AASB 15 *Revenue* AASB 9 *Financial Instruments*. The impact of the adoption of this standard and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

#### **AASB 15 Contracts with Customers**

The Company has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in AASB 15, the Company has adopted the new rules retrospectively however there was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement. The Company's updated accounting policies are shown below.

#### **Revenue Recognition**

##### *i) Software subscriptions*

Revenue from the sale of term (subscription) licences is recognised on a straight line basis over the subscription term.

##### *ii) Training*

Revenue from the provision of training services is recognised typically at a point in time when the Company has provided training and has an enforceable right to payment for its performance completed to date.

##### *iii) Software support (maintenance)*

Revenue for software support is recognised on a straight line basis over the service period as performance obligations require the company to respond to requests made by customers to provide technical product support and unspecified updates, upgrades and enhancements on a when-available and if-available basis.

##### *iv) Incremental Costs of obtaining Customer Contracts*

Commissions on software subscriptions are capitalised and amortised over the term, where the term is greater than 12 months.

##### *v) Contract Assets (Trade Receivables and Work in progress)*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Work in progress represents costs incurred and profit recognised for services that are in progress at balance date and the Company has an enforceable right to payment for its performance completed to date.

*vi) Unsatisfied performance obligations*

The Company continues to recognise its contract liabilities under AASB 15 in respect of any unsatisfied performance obligations, which are disclosed as *Unearned revenue* in the Statement of Financial Performance.

*vii) Financing components*

The Company does not recognise adjustments to transition prices or Contract balances where the period between the transfer of promised goods or services to the customer and payment by customer does not exceed one year.

The Company reviewed its prior year contracts and did not identify material adjustments in timing and amounts recognised as revenue in prior years.

**AASB 9 Financial Instruments – Impact of adoption**

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

*(i) Classification and Measurement*

On 1 January 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. There were no changes to the classification and measurement of financial assets.

*(ii) Impairment of financial assets*

The Group has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables.

The group was required to revise its impairment methodology under AASB. There was no material impact of the change in impairment methodology on the group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

**AASB 9 Financial Instruments – Accounting policies applied from 1 January 2018***(i) Investments and other financial assets**Classification*

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

### Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Fair Values**

The fair values of Consolidated Entity's financial assets and financial liabilities approximate their carrying values due to short-term in nature. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

**2. Segment information**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

AASB 8 "Operating Segments" states that similar operating segments can be aggregated to form one reportable segment. Following the acquisition of Electronic Pain Assessment Technologies (EPAT) Pty Ltd the Group aggregated all its reporting segments into one reportable operating segment. Prior to that, the Company operated as a corporate shell having ceased its previous exploration activities in the prior period.

**3. Revenue**

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Interest income	69,633	14,581
Sales revenue	51,666	12,900
<b>Total revenue</b>	<b>121,299</b>	<b>27,481</b>

**4. License expenses**

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
License acquired*	-	1,705,000
License fee paid	-	4,510
<b>Total license expenses</b>	<b>-</b>	<b>1,709,510</b>

\*In early July 2017 the Company acquired a global, perpetual, exclusive license for use of the nViso artificial intelligence (AI) technology for pain assessment. The acquisition cost is made up of:

Cash:	\$392,500
Shares in PainCheck Ltd (31,250,000 shares @ \$0.042 per share):	\$1,312,500
<b>Total acquisition cost:</b>	<b>\$1,705,000</b>

**5. Research and development expenses**

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
App development	507,552	441,091
Validation and implementation	237,660	251,647
Salaries and on costs	218,759	141,414
<b>Total research and development expenses</b>	<b>963,971</b>	<b>834,152</b>

## 6. Loss per share

	Consolidated	
	31 Dec 2018	31 Dec 2017
<b>Basic and diluted loss per share (cents per share)</b>	<b>(0.1)</b>	<b>(0.4)</b>

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
<b>Loss for the half-year attributable to the owners of the Company</b>	<b>(1,213,988)</b>	<b>(3,417,535)</b>

	Consolidated	
	31 Dec 2018	31 Dec 2017
	No.	No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>837,784,044</b>	<b>768,695,206</b>

Options on issue are considered to be anti-dilutive while the entity is making losses.

## 7. Issued capital

	Consolidated	
	31 Dec 2018	30 June 2018
	\$	\$
Fully paid Ordinary shares	<b>13,715,033</b>	<b>13,710,033</b>

	Consolidated			
	31 December 2018		30 June 2018	
	No.	\$	No.	\$
Balance at beginning of the reporting period	837,634,587	13,710,033	674,423,049	8,502,533
Issue of PainChek Ltd shares on acquisition <sup>1</sup>	-	-	38,461,538	-
Issued pursuant to capital raising <sup>2</sup>	-	-	75,000,000	3,750,000
Issued for part consideration of nViso licence <sup>3</sup>	-	-	31,250,000	1,312,500
Issued on conversion of options <sup>4</sup>	250,000	5,000	18,500,000	370,000
Capital raising costs	-	-	-	(225,000)
Balance at end of period	<b>837,884,587</b>	<b>13,715,033</b>	<b>837,634,587</b>	<b>13,710,033</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

1. Deferred consideration shares issued on achieving milestone, being \$1,000,000 worth of shares at \$0.026 per share.
2. Placement to sophisticated investors on 20 September 2017 at \$0.05 per share to raise \$3,750,000.
3. Acquisition on nViso license, see note 4.
4. Shares issued on conversion of options at an exercise price of \$0.02 per share.



**8. Reserves**

	Consolidated	
	31 Dec 2018	30 June 2018
Option reserve:		
	\$	\$
Balance at beginning of the reporting period	3,088,014	2,742,842
Issue of 45,000,000 Underwriter options	-	-
Issue of 90,198,155 Director options	-	240,882
Issue of 5,000,000 Employee options	17,886	71,658
Issue of 3,000,000 Employee options	37,763	32,632
<b>Total reserves at end of period</b>	<b>3,143,663</b>	<b>3,088,014</b>

Option movement during the period:

Options	Consolidated			
	31-Dec-18		30-June-18	
	No.	\$	No.	\$
Balance at beginning of the reporting period	178,167,730	3,088,014	197,096,302	2,742,842
Issue of director options	-	-	-	240,882
Issue of employee options	-	55,649	3,000,000	104,290
Exercise of options	(250,000)	-	(18,500,000)	-
Expiry of options	(969,575)	-	(3,428,572)	-
Balance at end of period	<b>176,948,155</b>	<b>3,143,663</b>	<b>178,167,730</b>	<b>3,088,014</b>

**9. Commitments and contingencies**

There has been no change to the commitments and contingencies disclosed in the most recent annual financial report.

**10. Subsequent events**

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.