NEXUS6 LIMITED

(1155872)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2015

Nexus6 Limited

Contents

Directors Responsibility Statement

The Directors are pleased to present the financial statements of Nexus6 Limited for the year ended 31 March 2015.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 March 2015 and the financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

The Directors authorise these financial statements for issue on 29 April 2015.

Statement of Comprehensive Income
for the year ended 31 March 2015

	Notes	March 2015 $	March 2014 $
Continuing Operations			
Sales		3,135,098	513,842
Cost of sales		(1,478,471)	(350,865)
Gross profit		1,656,627	162,977
Grants income		219,335	162,845
Research and development costs		(1,448,407)	(1,389,405)
Sales and marketing costs		(271,680)	(355,883)
Administrative expenses		(1,422,610)	(1,021,130)
Operating loss		(1,266,735)	(2,440,596)
Interest income		24,056	87,297
Interest expense	13	(111,214)	(4,621)
Finance income (cost) - net		(87,158)	82,676
Loss before income tax	4	(1,353,893)	(2,357,920)
Income tax expense	5	-	-
Total comprehensive loss		$ (1,353,893)	$ (2,357,920)
Total comprehensive loss attributable to:			
Equity holders of Nexus6 Limited		(1,353,893)	(2,357,920)
		$(1,353,893)	$(2,357,920)
Basic and diluted loss per share	6	$ 0.18	$ 0.32

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

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Statement of Financial Position
as at 31 March 2015

ASSETS	Notes	March 2015 $	March 2014 $
Current assets			
Cash and cash equivalents	7	3,590,881	2,015,145
Trade and other receivables	8	357,850	231,769
Inventories	9	1,003,199	191,186
Deferred capital raising costs		494,204	-
Total current assets		5,446,134	2,438,100
Non-current assets			
Property, plant and equipment	10	171,612	172,710
Intangible assets	11	196,951	-
Total assets		$ 5,814,697	$ 2,610,810
LIABILITIES			
Current liabilities			
Trade and other payables	12	1,375,532	296,742
Income received in advance		1,342,187	-
Borrowings	13	1,554,212	-
Embedded conversion derivative	13	489,573	-
Total current liabilities		4,761,504	296,742
EQUITY			
Share capital	14	6,538,814	6,512,361
Share option compensation reserve		518,752	452,187
Accumulated deficit		(6,004,373)	(4,650,480)
Total equity		1,053,193	2,314,068
Total liabilities & equity		$ 5,814,697	$ 2,610,810

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

For and on behalf of the Board of Directors who authorised the issue of these financial statements on 29 April 2015.

Dr Doug Wilson
Chairman

Ms Maxine Simmons
Director

Statement of Changes in Equity
for the year ended 31 March 2015

	Share Capital $	Share Option Compensation Reserve $	Accumulated Deficit $	Total Equity $
Equity as at 1 April 2013	$ 6,388,757	$ 265,129	$ (2,292,560)	$ 4,361,326
Comprehensive loss for the year	-	-	(2,357,920)	(2,357,920)
Transactions with owners:				
Shares issued in private placements	42,999	-	-	42,999
Shares issued on option exercise	82,285	-	-	82,285
Share issue costs	(1,680)	-	-	(1,680)
Share option grants for services	-	187,058	-	187,058
Equity as at 31 March 2014	$ 6,512,361	$ 452,187	$ (4,650,480)	$ 2,314,068
Comprehensive loss for the year	-	-	(1,353,893)	(1,353,893)
Transactions with owners:				
Shares issued on option exercise	25,915	-	-	25,915
Shares issued in lieu of capital raising fees	4,121	-	-	4,121
Share issue costs	(3,583)	-	-	(3,583)
Share option grants for services	-	66,565	-	66,565
Equity as at 31 March 2015	$ 6,538,814	$ 518,752	$ (6,004,373)	$ 1,053,193

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

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Statement of Cash Flows
for the year ended 31 March 2015

	Notes	March 2015 $	March 2014 $
Cash flows from operating activities:			
Receipts from customers		4,412,167	400,113
Receipts from grants		129,268	198,430
Interest received		24,056	87,297
Interest paid		-	(4,621)
Resident withholding tax refunded (paid)		21,124	(24,308)
Payments to employees		(1,680,276)	(960,534)
Payments to suppliers		(2,881,799)	(2,005,897)
Net cash provided from (used in) operating activities		24,540	(2,309,520)
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(89,069)	(142,653)
Product development costs incurred	11	(182,056)	-
Net cash used in investing activities		(271,125)	(142,653)
Cash flows from financing activities:			
Proceeds from the issue of shares	14	-	42,999
Proceeds from the exercise of options	14	25,915	82,285
Proceeds from the issue of convertible notes	13	2,000,000	-
Payment of capital raising costs	14	(255,398)	(1,680)
Payment of convertible note issue costs	13	(20,919)	-
Net cash provided from financing activities		1,749,598	123,604
Net increase (decrease) in cash		1,503,013	(2,328,569)
Cash at the beginning of the year		2,015,145	4,338,157
Effect of exchange rate changes on cash balances		72,723	5,557
Cash at the end of the year	7	$ 3,590,881	$ 2,015,145
Reconciliation with loss after income tax:			
Loss after income tax		$ (1,353,893)	$ (2,357,920)
Non-cash items requiring adjustment:			
Depreciation of property, plant and equipment	10	80,478	30,943
Loss (gain) on disposal of property, plant and equipment	10	38,081	-
Interest accrued to borrowings	13	111,214	-
Share option compensation expense		66,565	187,058
Foreign exchange (gain) loss		(37,326)	(1,485)
Changes in working capital:			
Trade and other receivables		(124,760)	(163,952)
Inventories		(812,013)	(148,970)
Trade and other payables		714,007	144,806
Income received in advance		1,342,187	-
Net cash provided from (used in) operating activities		$ 24,540	$ (2,309,520)

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

Notes to the financial statements
for the year ended 31 March 2015

1. General information

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

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

These financial statements have been approved for issue by the Board of Directors on 29 April 2015.

2. Summary of significant accounting policies

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

2.1 Basis of preparation and adoption of NZ IFRS

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS") and IFRIC interpretations.

(a) Going Concern

The Directors have continued to adopt the going concern assumption in the preparation of these financial statements. The Company is reliant on the ability to raise further equity funding to support the on-going operation of the business and invest in future growth. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Company can continue to operate as a going concern, and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company consider it is no longer appropriate to prepare its financial statements on a going concern basis.

(b) Transition to NZ IFRS

For the financial year ending 31 March 2014, the Company prepared its financial statements in accordance with Tier 2 For-Profit Accounting Standards, NZ IFRS Reduced Disclosure Regime ('NZ IFRS RDR'). For the financial year ending 31 March 2015, the Company has elected to prepare its financial statements in accordance with Tier 1 For-Profit Accounting Standards, NZ IFRS, and will no longer apply the disclosure concessions available under NZ IFRS RDR.

Under External Reporting Board Standard A1 'Accounting Standards Framework (For Profit Entities update)' ('XRB A1') the movement between Tier 2 and Tier 1 means that the Company must apply NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS 1'). Under NZ IFRS 1 the date of transition to NZ IFRS 1 is 1 April 2013. As the only differences between NZ IFRS RDR and NZ IFRS relate to disclosure concessions available under NZ IFRS RDR, there has been no impact upon the opening balance sheet from those values reported in the prior year's financial statements. The reason why the Company has chosen to report in accordance with NZ IFRS (Tier 1) is due to an anticipated initial public offering.

(c) Statutory base

Nexus6 Limited is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

(d) Historical cost convention

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

(e) Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Deferral of capital raising costs

As at 31 March 2015, the Company has deferred as a current asset costs incurred in relation to a planned capital raising. These costs are an asset to the Company to the extent they are expected to directly result in new equity being raised for the Company in the near future. Although there is inherent uncertainty as to the success of the planned capital raising, after considering a range of possible outcomes, the Company believes that the capital raising is sufficiently likely to be successful such that it is reasonable that the costs are recognised as an asset at 31 March 2015.

(ii) Fair value of embedded derivatives within the convertible notes

The embedded derivatives within the convertible notes issued by the Company during the year are not traded in an active market (for example, over-the-counter derivatives). Judgement is therefore applied to determine the appropriate valuation methodology and to the underlying assumptions, based on market and Company-specific conditions. The valuation can be significantly affected by the assumptions used, including assessment of the probability of outcomes, interest and discount rates.

(iii) Capitalisation of development costs

Development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products, processes or systems, are recognised as intangible assets in the statement of financial position when they meet the criteria for capitalisation, set out in 2.6 below. The amount capitalised includes all directly attributable costs, such as those for materials and services as well as compensation to employees. Judgement is applied in assessing when the capitalisation criteria are met.

(iv) Impairment of non-current assets

The Company reviews annually whether any property, plant and equipment or product development costs have suffered any impairment in accordance with the accounting policy stated in note 2.11. In making this assessment, the extent of the likely future use of these assets is required to be estimated in determining if their value is impaired at the balance sheet date. The Company evaluates indicators of impairment, including expected future demand for devices, in relation to each type of asset at the balance sheet date.

(v) Recognition of deferred tax assets

As at 31 March 2015, the Company has not recognised as an asset material tax losses which could be offset against future taxable profits. These tax losses would only be recognised to the extent that it is expected that there will be future taxable profits and such losses will be available in the future (after shareholder continuity tests) to offset those future taxable profits. The Company has considered its future expected profitability and shareholder continuity and has concluded that sufficient certainty does not yet exist to recognise these tax losses as an asset.

2.2 Changes in accounting policy and disclosures

(a) International Financial Reporting Standards

The following standards have been issued but have not yet been adopted:

NZ IFRS 9: Financial instruments

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no material changes to classification and measurement. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15 Revenue from contracts with customers

NZ IFRS 15 is effective for periods commencing on or after 1 January 2017. The standard addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in a way that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has yet to assess NZ IFRS 15's full impact. The Company will apply this standard from 1 April 2017.

There are no other standards, amendments, or interpretations to existing standards that have been issued and yet to be adopted by the Company that are likely to have a material impact on the financial statements.

2.3 Segment Reporting

The Company has considered the requirements for segmental reporting as set out in NZ IFRS 8: Operating Segments. The standard requires that operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer. The Company has determined that one segment exists for the Company's Smartinhaler business.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

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

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

2.6 Research and development

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

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

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

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

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

(b) Share-based payments

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

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

2.8 Leases

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

2.9 Income tax

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

2.10 Goods and Services Tax (GST)

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

2.11 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying amount of an asset is considered impaired when its recoverable amount is less than its carrying value. In that event, a loss is recognised in the Statement of Comprehensive Income based on the amount by which the carrying amount exceeds the recoverable amount.

2.12 Cash and cash equivalents

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

2.13 Trade receivables

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

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

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

2.15 Property, plant and equipment
Property, plant and equipment are stated at historical cost less depreciation and any impairments recognised. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

Acquired patents, trademarks and licences have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost over the anticipated useful lives, which are aligned with the unexpired patent term or agreement over trademarks and licences.
(b) Acquired software
Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two years).

(c) Product development
Directly attributable product development costs that are capitalised in accordance with the research and development policy (2.6 above) include the associated direct external costs and employee costs.

2.17 Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

2.18 Convertible Notes
The terms included in the convertible notes contract related to the conversion features, had they been a standalone contract, would have met the definition of a derivative. These are separated from the host contract because the terms are not considered closely related to the host and accounted for in the same way as a derivative and measured at fair value through profit or loss. The fair value of the embedded derivative is estimated based on market conditions prevalent at the issue date. The remainder of the proceeds are

allocated to the loan instrument portion of the convertible note. Transaction costs are allocated to the liability and embedded derivative components in proportion to their initial carrying amounts.

The embedded derivative is subsequently re-measured to fair value at each reporting date and any movements in fair value are immediately recognised in the statement of comprehensive income within 'interest expense'. Transaction costs associated with embedded derivatives are expensed to the statement of comprehensive income when incurred.

The host loan instrument portion meets the definition of a financial liability and is subsequently carried at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value of the loan instrument being recognised in the statement of comprehensive income in 'interest expense' over the period of the borrowings, using the effective interest method until extinguished on conversion or maturity of the notes.

2.19 Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are deferred until the issue of the shares or options, and then shown in equity as a deduction, net of tax, from the proceeds.

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

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

2.21 Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Comparative Information
Where necessary, certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

3. Segment Information
The chief operating decision maker is the Chief Executive Officer, who reviews financial information for the Company as a whole. The information reviewed is prepared in the same format as included in the financial statements. The Company has therefore determined that one reportable segment exists for the Company's Smartinhaler business.

(a) Geographic segment information
The Company operates predominantly from New Zealand, with some manufacturing also undertaken by suppliers in Asia at which the Company locates equipment and tools:

Domicile of non-current assets	March 2015 $	March 2014 $
New Zealand and Australia	223,873	68,583
Other South-East Asian countries	144,690	104,127
	$ 368,563	$ 172,710

The Company sells its products and services domestically and internationally. Revenues by customer region of domicile are:

Location of customer sales	March 2015 $	March 2014 $
New Zealand and Australia	48,641	78,157
Europe	2,944,626	290,320
North America	141,831	145,365
	$ 3,135,098	$ 513,842

(b) Major customers
Revenues are derived from major external customers as follows:

Major customers	March 2015 $	March 2014 $
Customer A group entities	2,814,289	214,866
Customer B group entities	68,956	162,931
Customer C group entities	23,558	69,294

4. Expenses

Loss before income tax includes the following specific expenses:	March 2015 $	March 2014 $
Fees paid to PricewaterhouseCoopers for:		
Audit of the financial statements	41,338	25,000
Other services		
- Audit of prior year information	-	9,000
- Accounting advice	1,575	-
- Fees in respect of file review	1,500	-
Total fees to PricewaterhouseCoopers	$ 44,413	$ 34,000
Depreciation	$ 80,478	$ 30,943
Directors' remuneration		
- Fees	192,500	130,000
- Consulting	6,000	23,250
- Share option compensation	48,927	58,577
Total directors' remuneration	$ 247,427	$ 211,827
Employee benefits expense		
- Wages and salaries	1,714,231	1,004,831
- Share option compensation	17,638	128,481
Total employee benefits expense	$ 1,731,869	$ 1,133,312
Foreign exchange (gain) loss	$ (37,326)	$ (1,485)
Operating lease costs	$ 86,779	$ 74,228

5. Income Tax

	March 2015 $	March 2014 $
Current tax	-	-
Deferred tax	-	-
Income tax expense	$ -	$ -
Numerical reconciliation of income tax expense to prima facie tax payable (receivable):		
Loss before income tax	(1,353,893)	(2,357,920)
Tax calculated at domestic tax rates	(379,090)	(660,218)
Tax effects of:		
Expenses not deductible for tax purposes	19,886	53,381
Under (over) provision in prior year	(57,855)	-
Deferred tax assets not recognised (note 15)	417,059	606,837
Income tax expense	$ -	$ -

The weighted average applicable tax rate was 28% (2014: 28%).

6. Earnings per share

Basic loss per share is based upon the weighted average number of outstanding ordinary shares. For all periods presented, the Company's potentially dilutive ordinary share equivalents (being the Options over ordinary shares set out in note 14 and the Convertible Notes set out in note 13) have an anti-dilutive effect on loss per share and, therefore, have not been included in determining the total weighted average number of ordinary shares outstanding for the purpose of calculating diluted loss per share.

	March 2015 $	March 2014 $
Comprehensive profit (loss) after income tax attributable to equity holders	(1,353,893)	(2,357,920)
Weighted average shares outstanding (basic)	7,500,427	7,364,148
Weighted average shares outstanding (diluted)	7,500,427	7,364,148
Basic and diluted loss per share	$ 0.18	$ 0.32

7. Cash and cash equivalents

	March 2015 $	March 2014 $
Cash at bank and on hand	38,011	49,950
Deposits at call	3,552,870	1,965,195
	$ 3,590,881	$ 2,015,145

8. Trade and other receivables

	March 2015 $	March 2014 $
Trade receivables	186,432	119,994
Grant income accrued	90,068	-
GST and other taxes receivable	69,309	101,397
Prepayments	12,041	10,378
	$ 357,850	$ 231,769

9. Inventories

	March 2015 $	March 2014 $
Raw materials and components	95,110	96,262
Work in progress	784,270	10,897
Finished goods	123,819	84,027
	$ 1,003,199	$ 191,186

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to $1,221,350 (2014: $336,660).

10. Property, plant and equipment

	Manufacturing Equipment $	Computer Equipment $	Fixtures & Fittings $	Office Equipment $	Total $
As at 1 April 2013					
Cost	60,686	6,389	991	1,687	69,753
Accumulated depreciation	(7,212)	(1,182)	(247)	(112)	(8,753)
Net book value	53,474	5,207	744	1,575	61,000
Movements in the year ended 31 March 2014					
Opening net book value	53,474	5,207	744	1,575	61,000
Additions	110,786	21,487	7,916	2,464	142,653
Depreciation	(20,926)	(8,473)	(463)	(1,081)	(30,943)
Disposals	-	-	-	-	-
Closing net book value	143,334	18,221	8,197	2,958	172,710
As at 31 March 2014					
Cost	171,472	27,876	8,907	4,151	212,406
Accumulated depreciation	(28,138)	(9,655)	(710)	(1,193)	(39,696)
Net book value	143,334	18,221	8,197	2,958	172,710
Movements in the year ended 31 March 2015					
Opening net book value	143,334	18,221	8,197	2,958	172,710
Additions	107,366	8,652	1,443	-	117,461
Depreciation	(66,342)	(11,490)	(1,478)	(1,168)	(80,478)
Loss on disposal	(37,696)	(385)	-	-	(38,081)
Closing net book value	146,662	14,998	8,162	1,790	171,612
As at 31 March 2015					
Cost	213,347	34,220	10,350	4,151	262,068
Accumulated depreciation	(66,685)	(19,222)	(2,188)	(2,361)	(90,456)
Net book value	$ 146,662	$ 14,998	$ 8,162	$ 1,790	$ 171,612

11. Intangible assets

	Product development costs $
As at 1 April 2014	
Cost	-
Accumulated amortisation	-
Net book value	-
Movements in the year ended 31 March 2015	
Opening net book value	
Additions	
- External costs	108,832
- Employee costs	88,119
Amortisation	-
Closing net book value	196,951
As at 31 March 2015	
Cost	196,951
Accumulated amortisation	-
Net book value	$ 196,951

12. Trade and other payables

	March 2015 $	March 2014 $
Trade payables	1,265,684	216,946
Accruals	25,824	29,728
Employee benefits	84,024	50,068
	$ 1,375,532	$ 296,742

13. Borrowings

(a) Convertible Notes

In January 2015 Nexus6 offered 2 million $1 Convertible Notes on a pro rata basis to the shareholders of the Company. The offer was fully underwritten by two shareholders, Asia Pacific Healthcare Fund II and K One W One Limited, and the Convertible Notes were issued to subscribing noteholders effective 31 January 2015.

The Convertible Notes are secured by a first ranking security interest over all present and after-acquired property of Nexus6.

The Convertible Notes bear no interest from the issue date until 31 August 2015, and thereafter interest accrues at 5% plus the New Zealand dollar 90 day bill rate per annum and is payable on redemption or 1 February 2016, the maturity date of the Convertible Notes. The Convertible Notes and accrued interest are redeemable by cash repayment at the request of a Convertible Noteholder upon an event of default (subject to the Company's ability to redeem) and by the Company at any time after 1 September 2015.

The Convertible Note terms include the following conversion features:

- automatically where the Company receives approval to be admitted to the official list of ASX Limited or the Company completes a capital raising of at least $5 million. In both cases the Convertible Notes convert to shares of the Company at the price per share offered in conjunction with the listing or capital raising, discounted by 25%; and

- optional conversion by the Convertible Noteholder upon an event of default before redemption or automatic conversion noted above, or 20 business days prior to maturity, at a price calculated as 10,133,763 divided by the number of shares of the Company on issue immediately prior to conversion.

Management have carried out an assessment of the terms of the Convertible Notes and have judged that they consist of two components:
- a host loan instrument, measured at amortised cost; and
- an embedded derivative representing the features which may convert the Convertible Notes to ordinary shares in the Company.

The loan instrument has been initially valued at the residual of the net proceeds of the Convertible Notes less the fair value of the embedded conversion derivative.

	Initial recognition $	Fair value change $	Interest $	March 2015 $
Borrowings				
Gross proceeds of Convertible Notes issue	2,000,000			
Transaction cost capitalised on host loan instrument	(67,429)			
Net proceeds of Convertible Notes issue	1,932,571			
Embedded conversion derivative	482,788	6,785	-	489,573
Liability component (net of transaction costs)	1,449,783	-	104,429	1,554,212
Total borrowings	1,932,571	6,785	104,429	2,043,785

14. Share capital

	March 2015 Ordinary Shares	March 2015 $	March 2014 Ordinary Shares	March 2014 $
Opening balance	7,492,794	$ 6,512,361	7,342,869	$ 6,388,757
Shares issued in private placements	-	-	33,076	42,999
Shares issued on options exercised	35,500	25,915	116,849	82,285
Shares issued in lieu of capital raising fees	3,170	4,121		
Share issue costs	-	(3,583)	-	(1,680)
Closing balance	7,531,464	$ 6,538,814	7,492,794	$ 6,512,361

(a) Ordinary Shares

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

(b) Share Options

Share Option Plan

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

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

	Options	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price	Weighted Average Share Price at Exercise
Outstanding at 1 April 2013	795,340	$ 0.726	795,340	$ 0.726	
Granted	655,077	$ 1.300			
Exercised	(116,849)	$ 0.704			$ 1.300
Expired	(20,805)	$ 0.730			
Outstanding at 31 March 2014	1,312,763	$ 1.014	882,763	$ 0.875	
Granted	-	$ -			
Exercised	(35,500)	$ 0.730			$ 1.300
Lapsed	(200,000)	$ 1.300			
Outstanding at 31 March 2015	1,077,263	$ 0.971	983,929	$ 0.940	

The weighted average remaining contractual life of outstanding share options is as follows:

	March 2015		March 2014	
	Options	Weighted Average Remaining Contract Life (years)	Options	Weighted Average Remaining Contract Life (years)
Exercise price range				
$0.730	622,186	2.7	657,686	3.5
$1.300	455,077	5.7	655,077	6.6
	1,077,263	4.0	1,312,763	5.1

The weighted average fair value of options granted was determined using the Black-Scholes valuation model:

	March 2015 $	March 2014 $
Significant Black-Scholes valuation model inputs		
Weighted average share price at grant date	-	$1.30
Exercise price	-	$1.30
Volatility	-	75%
Dividend yield	-	0%
Expected option life	-	5 years
Annual risk-free interest rate	-	3.8%
Discount for lack of marketability	-	50%
Weighted average fair value of options granted	-	$0.41

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of listed peer companies over a six year period. The Company has no legal or constructive obligation to repurchase or settle the options in cash. There were no options granted in the year ended 31 March 2015.

15. Deferred income tax

	March 2015 $	March 2014 $
Movements		
Deferred tax asset (liability) at the beginning of the year	-	-
Credited (charged) to the income statement (note 5)	417,059	606,837
Change in unrecognised deferred tax assets	(417,059)	(606,837)
Deferred tax asset (liability) at the end of the year	$ -	$ -

The movement in deferred income tax assets and liabilities during the year is as follows:

	Deferred tax assets (liabilities)				
	Provisions and accruals $	Intangible assets $	Convertible notes $	Tax losses $	Total $
As at 1 April 2013	-	-	-	-	-
Credited (charged) to the income statement	3,502	5,803	-	597,532	606,837
Change in unrecognised deferred tax assets	(3,502)	(5,803)	-	(597,532)	(606,837)
As at 31 March 2014	-	-	-	-	-
Credited (charged) to the income statement	13,508	(36,237)	12,260	369,673	359,204
Under (over) provision in prior year	-	-	-	57,855	57,855
Change in unrecognised deferred tax assets	(13,508)	36,237	(12,260)	(427,528)	(417,059)
As at 31 March 2015	-	-	-	-	-

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable, or to the extent that they can be set off against deferred income tax liabilities. The Company did not recognise deferred income tax assets of $1,207,584 (2014: $780,056) in respect of losses amounting to $4,312,801 (2014: $2,785,914) that can be carried forward against future taxable income. The Company also did not recognise further deferred income tax assets of $33,106 (2014: $43,575) in respect of other timing differences amounting to $118,234 (2014: $155,626).

16. Related party transactions

(a) Key management and personnel

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

	March 2015 $	March 2014 $
Directors		
- fees and other short term benefits	198,500	153,250
- share option compensation	48,927	58,577
CEO and management		
- short-term benefits	1,033,123	530,836
- statutory post-employment benefit contributions	24,540	14,640
- share option compensation	17,638	118,041
	$ 1,322,728	$ 875,344

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

	March 2015 Ordinary Shares	March 2015 $	March 2014 Ordinary Shares	March 2014 $
Shares in private placements	-	-	-	-
Shares on options exercised	20,000	14,600	-	-
	20,000	$ 14,600	-	$ -

In addition, key management personnel and their associates subscribed for Convertible Notes in the Company (refer note 13) amounting to $967,390 in the year ended 31 March 2015.

17. Financial instruments and risk management

(a) Categories of financial instruments	March 2015 $	March 2014 $
Financial assets		
Loans and receivables classification:		
Cash and cash equivalents	3,590,881	2,015,145
Trade and other receivables	276,500	119,994
Total financial assets	$ 3,867,381	$ 2,135,139
Financial liabilities		
Measured at amortised cost:		
Trade and other payables	1,375,532	296,742
Convertible notes – liability component	1,554,212	-
Measured at fair value:		
Convertible notes – embedded conversion derivative	489,573	-
Total financial liabilities	$ 3,419,317	$ 296,742

(b) Risk management

The Company is subject to a number of financial risks which arise as a result of its activities.

Foreign exchange risk

During the normal course of business the Company enters into contracts with overseas customers or suppliers or consultants that are denominated in foreign currency. As a result of these transactions there is exposure to fluctuations in foreign exchange rates.

The Company does not utilise derivative financial instruments. It operates a policy of holding cash and cash equivalents in the currency of estimated future supplier payments, however it does not designate formal hedges and as such remains unhedged against foreign currency fluctuations. A foreign exchange gain of $37,326 is included in results for the year ended 31 March 2015 (2014: $1,485 gain).

The carrying amounts of foreign currency denominated assets and liabilities are as follows:

	March 2015 $	March 2014 $
Assets		
US dollars	1,952,030	54,402
UK pounds	2,874	81,045
Australian dollars	-	4,770
Liabilities		
US dollars	708,425	522
UK pounds	15,335	-
Australian dollars	99,716	970
Hong Kong dollars	25,611	4,844

The following table details the Company's sensitivity to a 10% increase and decrease in each of the currencies noted against the New Zealand dollar as at the reporting date.

Decrease (increase) in loss after income tax	March 2015 $	March 2014 $
10% strengthening of NZ dollar against:		
US dollar	(113,055)	(4,898)
Australian dollar	9,065	(346)
UK pound	1,133	(7,368)
Hong Kong dollars	2,328	440
10% weakening of NZ dollar against:		
US dollar	138,178	5,987
Australian dollar	(11,080)	422
UK pound	(1,384)	9,005
Hong Kong dollars	(2,846)	(538)

Cash flow and fair value interest rate risk

The Company is exposed to interest rate risk as it holds cash and cash equivalents (refer note 7) and has borrowings (refer note 13).

Trade and other receivables and payables do not bear interest and are not interest rate sensitive.

The Company's interest bearing financial assets bear interest at overnight deposit rates and accordingly any change in interest rates would have an immaterial effect on reported loss after tax.

The Convertible Notes initially bear no interest (see note 13) and are therefore not cash flow interest rate sensitive at 31 March 2015.

Credit risk

The Company incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business. The credit risk on financial assets of the Company, which have been recognised in the statement of financial position, is the carrying amount, net of any allowance for doubtful debts.

The Company does not require any collateral or security to support transactions with financial institutions or customers. The counterparties used for banking activities are financial institutions with an AA- credit rating (2014: AA-) and the Company assesses the credit quality of customers by taking into account their financial position, past experience and other factors. The credit quality of trade receivables can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	March 2015 $	March 2014 $
Counterparties with external credit rating:		
• AA-	166,318	70,267
Counterparties without external credit rating:		
• existing customers (more than 6 months) with no defaults in the past	20,114	49,727
Total trade receivables	$ 186,432	$ 119,994

The Company is exposed to a concentration of credit risk as 89% of accounts receivable are with one counterparty (2014: 59%). The customer has an external credit rating of AA-.

Liquidity risk

The table below shows the Company's non-derivative financial liabilities by relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 March 2015	**Less than 3 months**	**Between 3 months and 1 year**
Trade and other payables	1,375,532	-
Borrowings (convertible notes)	-	2,000,000
As at 31 March 2014		
Trade and other payables	296,742	-

Capital risk

The Company manages its capital to ensure that it is able to continue as a going concern. The capital structure of the Company consists of cash and cash equivalents, and equity comprising issued capital, reserves and accumulated deficit.

Fair value estimation

Financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

At 31 March 2015 the embedded conversion derivative with a fair value of $489,573 (note 13) was classified as subject to recurring fair value measurement within Level 3 of the hierarchy (2014: $nil). There were no transfers between the fair value hierarchy levels in 2014 or 2015.

The Company has performed its own estimate of the fair value of the embedded conversion derivative recognised separately from the host convertible notes (see note 13) using a present value technique. The main inputs to the valuation are the expected probability of the convertible notes converting and the discount rate used. At initial recognition and 31 March 2015 a probability of 75% of the convertible notes converting has been applied together with a discount rate of 8.45%. A reasonably possible change at 31 March 2015 of plus or minus 5 percentage points to the estimate of the probability of the notes converting would lead to an increase or decrease respectively in the valuation of the derivative of $32,638. A reasonably possible change to the discount rate applied would not have a material impact upon the valuation.

18. Contingencies and commitments

The Company had no contingencies or commitments to purchase any property, plant or equipment at 31 March 2015 (2014: nil).

The Company has two premises lease commitments, both ending December 2015 with no right of renewal. The following aggregate future non-cancellable minimum lease payments for premises have been committed to by the Company, but not recognised in the financial statements.

	March 2015 $	March 2014 $
Not later than one year	51,000	42,250
Later than one year and not later than five years	-	8,500
Later than five years	-	-
	$ 51,000	$ 50,750

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Independent Auditors' Report

to the shareholders of Nexus6 Limited

Report on the Financial Statements

We have audited the financial statements of Nexus6 Limited ("the Company") on pages 2 to 23, which comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Company.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

We are independent of the Company. Other than in our capacity as auditors we have no relationship with, or interests in, the Company.

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Independent Auditors' Report

Nexus6 Limited

Opinion

In our opinion, the financial statements on pages 2 to 23 present fairly, in all material respects, the financial position of the Company as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2.1(a) in the financial statements which states that the Company has adopted the going concern assumption based on the expectation that further equity investment will be received. As indicated in Note 2.1(a), the reliance on the receipt of further equity investment indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Restriction on Use of our Report

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

PricewaterhouseCoopers

Chartered Accountants
29 April 2015

Auckland