Appendix 4E

Preliminary final report

Name of entity

NOVA EYE MEDICAL LIMITED (formerly ELLEX MEDICAL LASERS LTD)

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Half year/financial year ended ('current period')
15 007 702 927		✓	30 JUNE 2020

Results for announcement to the market

Extracts from this report for announcement to the market.

				$A'000
Revenues from Continuing Operations	Down	21%	to	12,769
Loss from Continuing Operations Before Interest, Tax, Depreciation and Amortisation	Up	17%	to	(5,748)
Net Loss from Continuing Operations before Tax	Down	9%	to	(7,249)
Loss from Continuing Operations after Tax	Up	55%	to	(10,327)
Profit/ (loss from Discontinued Operations Attributable to Members		n/m*		45,980
Net profit/ (loss) for the Period Attributable to Members	Up	718%	to	35,653
* *Percentage movement not meaningful*				

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend *(Preliminary final report only)* Interim dividend *(Half yearly report only)*	Nil ¢	Nil %
Previous corresponding period	Nil ¢	Nil %

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	61.5 ¢	31.6 ¢

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used	N/A

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on +accounts to which one of the following applies.

(Tick one)

✓	The accounts have been audited.		The accounts have been subject to review.
	The accounts are in the process of being audited or subject to review.		The accounts have *not* yet been audited or reviewed.

5 The entity has a formally constituted audit committee.

6 There has been no changes in controlled entities.

Sign here: V. Previn .... Date: 28 August 2020

(Director)

Print name: Victor Previn

Corporate Governance

The company has adopted and substantially complies with ASX Corporate Governance and Principles and Recommendations, *3rd Edition ASX Corporate Governance Council.*

The Corporate Governance Statement which was approved by Board of Directors on 24 June 2020 is available for viewing on our website www.nova-eye.com

Directors' Report

The Directors of Nova Eye Medical Limited (the "Company") submit herewith the annual financial report of the Company and the entities it controlled (the "Group" or "Nova Eye") at the end of, or during the financial year ended 30 June 2020. On 1 July 2020, the Company changed its name from Ellex Medical Lasers Limited to Nova Eye Medical Limited. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name

Mr V Previn	Executive Chairman
Mr A Sundich	Non-executive Director
Mr R Coupe	Independent Director
Mr M Southard	Non-executive Director
Mr M Mangano	Independent Director
Mr G Canala (resigned 27 November 2019)	Non-executive Director

Ms Maieli was the interim CEO from 18 July 2019 up to date of resignation,18 February 2020. Mr Victor Previn assumed management responsibilities from 18 February 2020.

Ms Maria Maieli was the Company Secretary up to 18 July 2019 and resigned as the Company Secretary effective that date.

Ms Kimberely Menzies was appointed Company Secretary effective 19 July 2019 and resigned on 30 June 2020. Simon Gray was appointed Joint Company Secretary on 24 June 2020 and assumed full Company Secretary responsibility from 30 June 2020 upon the resignation of Ms Kimberley Menzies.

Directors

Victor Previn, Executive Chairman

Victor Previn was appointed a Director on 16 July 2001. Victor Previn is a professional engineer and one of the original founders of the Company. His career spans more than 32 years in the laser industry. Mr Previn was responsible for developing and commercialising the technology platform that is now the core of the Company's current production. He has spent more than 31 years in the ophthalmic laser industry travelling widely throughout Asia, Europe and the USA in a business development capacity. Mr Previn held the position of Managing Director from 2003 to 2005. In July of 2005, Mr Previn was elected Chairman of the Board of Directors. He is also a member of the Audit & Risk Committee, Remuneration Committee and Nomination Committee.

Mr Previn beneficially holds 9,316,031 shares as at 28th August, 2020.

Alex Sundich, Non-executive Director

Alex Sundich was appointed a Non-executive Director on 22 July 2005. Alex is currently a Director of Bridge Street Capital Partners, a corporate advisory and principal investment firm. From 2002 to 2008, Alex was a senior

Executive in the funds management industry. Prior to this, he was an investment banker with Goldman Sachs and CSFB, involved in mergers and acquisitions and capital raisings. Alex is currently the Chairman of Petrel Energy Limited and Cleveland Mining Industry. He is currently Chairman of the Audit & Risk Committee and Chairman of the Nomination Committee.

Mr Sundich beneficially holds 6,300,000 shares as at 28th August, 2020.

Rahmon Coupe, Independent Director

Rahmon Coupe was appointed an Independent Director on 15 May 2013. Mr Coupe is Chief Executive Officer and Director of YourAmigo Limited, an organic search engine solutions company. Mr Coupe has more than 32 years' experience in the areas of corporate management, intellectual property management, contract negotiation, business development and engineering and has worked across a diverse range of industries, including information technology and the internet, life sciences and public broadcasting. Mr Coupe has held various project and engineering management roles for government research-based organisations, including the Defence Science and Technology Organisation (DSTO). Mr Coupe holds an Honours Degree in Electrical and Electronic Engineering from the University of Adelaide and was awarded the Ernst & Young Entrepreneur of the Year in Technology and Emerging Industries for the Central Region of Australia in 2009. He is currently a member of the Remuneration Committee and the Audit & Risk Committee.

Mr Coupe beneficially holds 914,400 shares as at 28th August, 2020

Mike Southard, Non-executive Director

Mr Southard was appointed as an Executive Director on 2 July 2018 and completed his Executive role in December 2019. Mike Southard spent 26 years with the world's largest ophthalmology company, Alcon Laboratories of Fort Worth Texas, as Vice President of the Global Surgical business. During Mike's tenure, the Alcon business grew dramatically from US$85 million to US$2.4 billion of sales per year. Prior to this, he was an Executive with Beecham Laboratories (now SmithKline Beecham), and Cooper-Vision, which was acquired by Alcon Laboratories. Mike is currently actively involved in Ophthalmology, Dermatology and Orthopaedics through his consulting company based in Portland, Oregon, USA. He has vast experience in both the International and US markets and maintains important contacts with many of the world's key opinion leaders in all areas of eye surgery. Mike holds a Bachelor of Science Degree from Oregon State University, in Business, and also an Executive MBA degree from Stanford University. Mike has served on Scientific Advisory Boards, Industry Advisory Councils, and also represented the International Markets and the Eye Surgery segment on the team that lead the initial public offering of Alcon in the early 2000's.

Mr Southard beneficially holds 20,000 shares as at 28th August, 2020.

Mike Mangano, Independent Director

Mr Mangano was appointed as an Independent Director on 2 July 2018. Mike Mangano is an accomplished global Executive leader with over 25 years' experience in the medical device industry. Mike is currently the President and CEO of ABK Biomedical Inc., a Canadian based venture backed start-up focused on the development of innovative embolic devices. Prior to ABK, he was the President and CEO of ReShape Medical Inc., a US venture backed company focused on obesity that was sold in October of 2017. Mr Mangano was also President of the Americas for Sirtex Medical for over six years. At Sirtex, Mike grew the business from US$30 million to over

US$140 million of sales per year, while building a team of 17 to more than 130 employees. Prior to Sirtex, he spent 15 years with Boston Scientific in numerous senior Executive roles, including two overseas positions in Japan and Australia. He has vast experience in sales and marketing management, product development, strategic planning, international business, merger & acquisition, project management and business model development. He currently is a member of the Board of Directors of ABK Biomedical.

Mr Mangano beneficially holds 50,000 shares as at 28th August, 2020.

Giuseppe Canala, Former Non-executive Director (retired as a Non-executive Director on 6 November 2019)

Giuseppe Canala was appointed a Director on 17 October 2008 and retired as a Director on 27 November 2019. Giuseppe is an experienced company Director with a range of laser related companies. He has a professional engineering and economics background. As an original co-founder of Ellex, he has served the Company in a broad range of management roles, including Director of Engineering, Operations Manager, Managing Director and Company Secretary. He was the Chairman from 1990 to 2001. Mr Canala was a member of the Audit & Risk Committee, Remuneration Committee and Nomination Committee until his resignation. Mr Canala holds a Bachelor of Technology Degree in Electrical Engineering from the University of Adelaide and a Bachelor of Arts Degree in Sociology and Economics from La Trobe University. He is a Fellow of the Australian Institute of Company Directors.

Maria Maieli, Group Chief Executive Officer (resigned 18 February 2020)

Maria Maieli was appointed Interim Group Chief Executive Officer on 19 July 2019. She resigned as Chief Executive Officer on 18 February 2020. Ms Maieli joined Ellex as Chief Financial Officer in May 2011. She has over 20 years of senior corporate management experience in public and private companies. This experience includes parts of all functional areas in a corporation including finance, sales, operations, compliance and governance. Ms Maieli was formerly Finance Manager of Penrice Soda Holdings Limited, an ASX-listed company that owned and operated the largest marble and limestone mine in Australia. Ms Maieli holds a Master's Degree in Professional Accounting from the Southern Cross University and is a Certified Practising Accountant (CPA), a member of the Governance Institute of Australia and Australian Institute of Company Directors.

Gerard Wallace, Former Group Chief Executive Officer (resigned 19 July 2019)

Mr Wallace was appointed Chief Executive Officer on 8 April 2019. He resigned as Chief Executive Officer on 19 July 2019. Mr Wallace has significant senior Executive medical device experience across Asia Pacific, Europe and the Middle East. He was formerly the President of Europe, Middle East and Africa at Boston Scientific (NYSE:BSX), which generated US$1.7 billion in revenue and comprised 1,650 staff. Mr Wallace was also a past President of Asia/China at Baxter International (NYSE:BAX) responsible for approximately 2,000 staff and US$270 million in annual revenue. He also served as President, Commercialisation for CathRX Limited.

Company Secretary

Simon Gray was appointed Joint Company Secretary on 24 June 2020 and assumed full Company Secretary responsibility from 30 June 2020 upon the resignation of Ms Kimberley Menzies. Mr Gray has over 35 years' experience as a chartered accountant and 20 years as a partner with Grant Thornton, a national accounting firm.

Mr Gray currently services as a Director and Company Secretary of Havilah Resources (ASX: HAV). He is also Company Secretary and Chief Financial Officer of Vintage Energy Ltd (ASX:VEN) and is a Director of several unlisted companies. Mr Gray is currently Chair of the Audit and Finance committee of the Flinders Medical Research Foundation and a Member of the Audit and Finance committee of the South Australia Medical Research Foundation.

Principal activities

The principal activities of the Company during the financial period were the manufacture, service and distribution of medical equipment and devices to diagnose and treat eye disease.

On 30 June 2020, the Company completed the sale of the Ellex Lasers & Ultrasound business (including the Ellex brand) to Lumibird Group SA for $97,347k and on 1 July 2020 changed the Company name from Ellex Medical Lasers Limited to Nova Eye Medical Limited.

Review of operations

For the 12 months ended 30 June 2020, Nova Eye recorded a group net profit after tax of $35,653k, comprising a loss from continuing operations of $10,327k and a profit from the discontinued Lasers & Ultrasound business operations of $45,980k. This compares with a group loss of $5,773k in the 12 months to 30 June 2019 comprising a loss from continuing operations of $6,661k and a profit from discontinued operations of $888k.

The primary driver of the 2020 net profit result was a gain on sale from the divestment of the Lasers & Ultrasound business to Lumibird on 30 June 2020 of $55,808k before capital gains tax. Revenue from continuing operations, consisting of the iTrack™ surgical system and the 2RT® laser were $12,769k, down 19% on the prior corresponding period (pcp).

The Company's cash position as at 30 June 2020 was $95,649k, versus $15,372k at 30 June 2019. The primary driver of the difference was funds totalling $97,347k from Lumibird in satisfaction of the transaction conditions, including financial adjustments reflecting the sale agreement, on 30 June 2020. During the year, all borrowings were repaid as part of the Lumibird transaction with bank debt as at 30 June 2020 being Nil versus the pcp of $14,914k.

A dividend was declared and paid on 29 July 2020 comprising of a return of capital $0.29 per share and fully franked dividend of $0.135 per share (2019: Nil). Total payment to shareholders was $61,030k.

Income tax

The profit on the sale of the Lasers & Ultrasound business has resulted in a provision for income tax payable of $8,151k at 30 June 2020.

COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic. As a result of widespread infections in the United States, on 17 March 2020 a 'Shelter in Place' order from the City and County of San Francisco, California was announced which required the Company's Fremont, California manufacturing facility for iTrack™ to close for three weeks until 7 April 2020. There was however, no supply disruption to the Group's clinician customers in the United States and the rest of world, including China, as the Company maintained sufficient ex-factory inventory to manage sales demand beyond the end of the financial year if required. The Company's 2RT® manufacturing and discontinued Lasers & Ultrasound business manufacturing were not affected.

During the months of March, April, May and into June particularly, the Company experienced a significant downturn in sales, attributable to both 'Shelter in Place' directives in the US and uncertainty, which limited our ophthalmology customers' ability to undertake surgeries (iTrack™) and also delayed purchasing decisions.

In April 2020, Nova Eye Inc (formerly Ellex iScience Inc.), received a US$1.1 million loan under the US Small Business Administration (SBA) Paycheck Protection Program (PPP). The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses. The continuing business of the group also received A$18k of Jobkeeper Government support during the year.

The Company continues to carefully monitor the COVID-19 situation across its key markets of the US, Europe and China.

iTrack™ Surgical System

The iTrack™ surgical system is used for the reduction of intraocular pressure (IOP) in adult patients with open-angle glaucoma. The iTrack™ surgical system enlarges the patient's natural drainage system in the eye, improving outflow and lowering IOP. No part of the device is left behind in the eye and the procedure is repeatable. The glaucoma market is worth US$5.1 billion annually.

The iTrack™ surgical system revenues were down by 19% primarily due to COVID-19. As a result of reduction in advertising, marketing and congress expenses during the year associated with COVID-19 impacts, the segment EBITDA loss reduced from $5.1 million last year to $4.1 million in the period ended 30 June 2020.

iTrack™ recorded a decrease in unit volumes of 28% to 5,993 units in the US. Outside US (OUS) sales were down 11% to 5,781 units reflecting COVID-19 impacts. Unit sales in China grew by 16%.

2RT®

2RT® is a proprietary laser technology which has shown potential to treat patients in early/intermediate age-related macular degeneration (AMD). AMD is a chronic eye disease that can lead to debilitating loss of vision. The market is valued at US$5.1 billion annually. 2RT® is currently approved to treat Clinically Significant Macular Edema (CSME) in the US and Europe and in patients with early Age-Related Macular Degeneration (AMD) in Europe only (CE Mark designation). These are narrow indications for use.

Because of the narrow indications for use, sales of 2RT® are currently only being made to early adopters.

During the 2020 fiscal year the Company has engaged with the US FDA. The ultimate aim of this engagement is to determine a clinical development pathway that will provide approval to treat patients in the US with intermediate AMD.

The preferred strategic approach for 2RT® is a partnership(s) to defray clinical development costs.

Lasers & Ultrasound Business (Discontinued operations)

On 24 December 2019, a binding Share Sale and Purchase Agreement for the sale of the Lasers & Ultrasound business was signed with Lumibird SA. The contracted sale price was $100 million with adjustments for cash and debt at settlement. The binding agreement required certain conditions precedent to be satisfied before settlement of the transaction could take place, including approval by Ellex shareholders.

On 26 June 2020, the Company announced that all remaining conditions under the Share Sale and Purchase Agreement were satisfied and the transaction with Lumibird was unconditional. On 30 June 2020, the Company announced the completion of the sale of the Lasers & Ultrasound business to Lumibird. Funds totalling $97,347k were received by the Company for the sale. This amount included $2,000k placed in escrow.

Adoption of IFRS 16 Leases

The Group has adopted the new standard IFRS 16 Leases from 1 July 2019, which has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 16, the Group has adopted the new rules by applying the standard at the date of initial application and has not restated the 2019 comparative figures.

The adoption of the new standard has seen an increase in finance cash flows and a corresponding decrease in cash flows from operations for lease payments in the Consolidated Statement of Cash Flows.

Significant changes to the state of affairs

On 30 June 2020, the Company completed the divestment of the Lasers & Ultrasound business to Lumibird Group SA with $97,347k cash received by the Company. As a result, the Company's focus will be to grow market penetration of proprietary glaucoma technologies to build a portfolio of complimentary glaucoma devices to and advance the commercialisation of 2RT®.

Events since the end of the financial year

On 1 July 2020 the Company's name was changed to Nova Eye Medical Limited. Additionally, the Company applied for and was subsequently granted by the Australian Securities Exchange a change in the ticker code from "ELX" to "EYE" before the commencement of trading on 3 July 2020.

On 2 July 2020, the Company announced the acquisition of the Molteno® glaucoma drainage device business from Molteno Ophthalmic Limited (Molteno), a privately owned ophthalmology business based in Dunedin, New Zealand for NZD $985k in cash.

The Molteno® glaucoma drainage devices are clinically validated for the treatment of severe or complex glaucoma and complement Nova Eye Medical's existing iTrack™ MIGS portfolio for the treatment of mild-moderate glaucoma. The Molteno® business has sales in approximately 30 countries with growth potential via current iTrack™ global glaucoma device sales and marketing infrastructure, with established reimbursement in the US and other major markets. The Company also acquired the lease on Molteno's current manufacturing facility in Dunedin, New Zealand. This facility is certified in accordance with the ISO13485 standard. The acquisition was completed on 3 August 2020 for a total cash consideration of A$990k. The acquisition was funded from existing cash reserves.

On 29 July 2020, Nova Eye announced the payment of cash proceeds representing $61,030k from the Lumibird acquisition of the Ellex Lasers & Ultrasound business, consisting of a capital return of $0.29 per share, representing a total of approximately $41,600k. of transaction proceeds and a fully franked dividend of $0.135 per share, representing a total of $19,400k of transaction proceeds.

Financial position

As at 30 June 2020, the net assets of the consolidated Group increased by $31,792k from 30 June 2019 to $100,588k.

Environment regulations

The Group holds licences to operate the manufacturing processes required to produce its products. It is not subject to significant environmental regulation or reporting requirements. There have been no known significant breaches of the Group's licence conditions.

Future developments

The Group will continue to focus on the further development of its business being the development, manufacture, service, and distribution of ophthalmic medical equipment for use in ophthalmic procedures worldwide and business related to these capabilities.

The market in which the Group operates is very competitive. Therefore, further disclosure of information regarding likely developments in the operations of the consolidated Group in future financial years and the expected results of those operations is likely to prejudice the competitive position of the consolidated Group. Accordingly, this information has not been disclosed in this report.

Dividends

No dividend was declared or paid during the year ended 30 June 2020 (2019: Nil).

A dividend was declared and paid on 29 July 2020 comprised of a return of capital $0.29 per share and fully franked dividend of $0.135 per share (2019: Nil). Total payment to shareholders was $61,030k.

Share options

At the date of this report the following shares under option were on issue as a result of the Company's Employee options scheme. No options have been issued to Directors.

Opening Balance 1 July 2019	Nil
Options Issued during year	872,729
Options forfeited during year	(509,091)
Options cancelled during year	(363,638)
Closing Balance 30 June 2020	-

The options were issued on 1 October 2019 with the following terms. Exercise Price of $0.55 cents with a vesting period of 4 years. The fair value of the options was estimated using a Black and Scholes model was $0.2293 per share.

There were no shares or interests issued during the financial year to Directors or Executives as a result of an exercise of options.

Any outstanding options were cancelled on 29 June 2020.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretary, and all Executive Officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of financial year indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability incurred as such an officer or auditor.

Diversity

The gender quality indicators in accordance with WGEA report for the financial year 30 June 2020 is available on our website www.nova-eye.com

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
V Previn	12	12	3	3	2	2	1	-
A Sundich	12	9	3	3	1	1	1	1
R Coupe	12	11	2	2	2	2	1	1
M Mangano	12	11	-	-	-	-	-	-
M Southard	12	12	-	-	-	-	-	-
G Canala*	3	3	1	1	1	1	-	-

*Mr G Canala resigned as a Director 27 November 2019

Remuneration report – Audited

This remuneration report, which forms part of the Director's report, sets out information about the remuneration of the Directors and Executives (Key Management Personnel - "KMP") for the financial year ended 30 June 2020 in accordance with the Corporations Act 2001 and the Corporations Regulations 2001. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and Executive details
- remuneration policy for Directors and Executives
- relationship between the remuneration policy and company performance
- key terms of employment contracts
- remuneration of Directors and Executives

Director and Executive details

The Directors of Nova Eye during the year were:

- Victor Previn – Executive Chairman and Interim Chief Officer effective 18 February 2020
- Alex Sundich – Non-executive Director
- Giuseppe Canala – Non-executive Director (retired effective 27 November 2019)
- Rahmon Coupe – Independent Director
- Mike Southard – Non-executive Director
- Mike Mangano – Independent Director

The Group Executives of Nova Eye during the year or as at the date of this report were:

- Maria Maieli - Former Interim Chief Executive Officer – appointed 19 July 2019 and resigned 18 February 2020
- Ged Wallace - Former Chief Executive Officer – resigned 19 July 2019
- Mr Victor Previn assumed management responsibilities from 18 February 2020

Remuneration policy for Directors and Executives

The Board reviews the remuneration packages of all Directors and Executives on an annual basis. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Relationship between the remuneration policy and company performance

i) Non-executive and Independent Directors

Total remuneration for all Non-executive and Independent Directors, last approved by shareholders at the 2017 AGM, is not to exceed $500,000 per annum and was set based upon advice from external advisors with reference to fees paid to other Non-executive Directors of comparable companies. Non-executive and Independent Directors' base fees were $50,000 per annum in the 2020 financial year (USD $50,000 for US based Directors). The base fee for non-executive and independent Directors has remained at $30,000 since 2010. The base fee was increased for the 2019 financial year having regard to the growth in complexity and scale of the Company's operations since 2010 and to take account of the increase in time commitment, risks and challenges, and responsibility and liability, for Directors.

The Chairman receives a Director's fee of $50,000 plus $10,000 Chairman's fee per annum. Director's fees cover all main Board functions but exclude membership of the Audit & Risk and Remuneration Committee. Upon the resignation of Mr G Canala in November 2019, R Coupe replaced Mr Canala in the Audit & Risk Committee and A Sundich replaced Mr Canala in the Remuneration Committee. Fees for the quarter were adjusted and paid on a pro-rata basis. From November 2019 a fee of $5,000 per annum is payable for membership of the Audit & Risk Committee. A fee of $5,000 per annum is payable for membership of the Remuneration Committee. In addition, the Company pays compulsory superannuation. The Company does not have a formal Board Retirement scheme. Non-executive Directors do not receive any performance related remuneration.

ii) Executive Directors and Executive Management

Remuneration packages are set at levels that are intended to attract and retain Executives capable of managing the consolidated Group's diverse operations, recognising the Group's size, industry and location.

Remuneration and other terms of employment for Executives are reviewed annually by the Board having regard to the individual's performance against goals and business plans, relevant comparative data and employment market conditions and independent expert advice.

Remuneration packages of Executives incorporate a base salary (which can be taken as cash or fringe benefits), superannuation and performance-related short and long-term incentives. The fixed component of remuneration is set to provide a base that is both appropriate to the position and is competitive in the market.

Short-term incentive payments are discretionary and take into account the extent to which specific operating targets set at the start of the financial year have been achieved. The operational targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial measures of performance, the primary measure being the performance against profit targets.

Long-term incentives are linked to the improvement in the market value of the Company. The long-term incentive is intended to reward efforts and results that promote long term growth in shareholder value.

The remuneration of key management personnel is based on an annual assessment of the individual's performance with reference to external data pertaining to Executive remuneration. There is no link between the Group's performance and the setting of remuneration except as discussed previously.

Targets are defined as either Earnings Before Interest, Tax, Impairment, Depreciation and Amortisation (EBITDA) or Earnings Before Tax (EBT) or Regional Contribution margin, or sales targets depending on the business segment and the role of the employee involved. These have been chosen as the key measures by the Board as the most reflective performance indicators for the Group at this point in its life cycle.

The tables below set out summary information about the consolidated Group's earnings from continuing operations and movements in shareholder wealth for the five years to June 2020:

Performance Summary	30 June 2020 $'000	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000
Revenue (i) (ii)	12,769	16,140	79,250	71,635	72,913
EBITDA (ii)	(5,748)	(6,922)	(1,055)	1,579	7,876
EBT (ii)	(7,249)	(7,963)	(5,157)	(1,959)	4,190
Net (loss)/profit after tax (iii)	35,653	(5,773)	(5,074)	(894)	3,027

(i) Revenue includes revenue from sale of goods on ongoing operations as per note 2 in the accounts
(ii) from continuing operations
(iii) total of continuing and discontinued operations
(iv) Effective for 30 June 2019 and 30 June 2020, the Laser & Ultrasound business were reclassified from continuing to discontinued operations

Historical Share Price	30 June 2020 $	30 June 2019 $	30 June 2018 $	30 June 2017 $	30 June 2016 $
Share price at start of year	0.530	0.610	1.065	0.960	0.310
Share price at end of year	0.680	0.530	0.610	1.065	0.960
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Attributable to ordinary equity shareholders of the Company					
Basic earnings per share	24.83cps	(4.02)cps	(3.78)cps	(0.76)cps	2.77cps
Diluted earnings per share	24.83cps	(4.02)cps	(3.78)cps	(0.76)cps	2.77cps
From continuing operations					
Basic earnings per share	(7.19)cps	(4.64)cps	(3.78)cps	(0.76)cps	2.77cps
Diluted earnings per share	(7.19)cps	(4.64)cps	(3.78)cps	(0.76)cps	2.77cps

Key terms of employment contracts

Remuneration and other terms of employment of the Chief Executive Officer and senior Executives are formalised in service agreements.

The payment of bonuses and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of Executive remuneration and a recommendation is put to the Board.

Maria Maieli - Interim Chief Executive Officer (appointed 19 July 2019 and resigned on 18 February 2020)

- Salary package of $280,000 exclusive of superannuation to be reviewed annually.
- Employer or employee was able to terminate employment on giving of 90 days' notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to the base salary for the unexpired period of notice.
- Ms Maieli was eligible for a discretionary performance based Short Term Incentive (STI). The terms of participation, the potential target performance outcomes and any payments that may be made are at the absolute discretion of the Board, taking into account the overall performance of Ms Maieli and the financial performance of the Group.
- Ms Maieli's Long Term Incentive (LTI) from her commencement date (19 July 2019) entitled her to be eligible to participate in the Company Employee Incentive Plan, subject to meeting all Plan Rules and Conditions. The grant made under the LTI was to have an aggregate value of 100% of Ms Maieli's annual base salary over a vesting period of four years. Ms Maieli was granted 509,091 options on 1 October 2019. The Employee options were forfeited on 18 February 2020 upon resignation of Ms Maieli.

Victor Previn - Senior Executive & Interim Chief Executive Officer (appointed interim Chief Executive Officer 18 February 2020)

- Salary package of $150,000 exclusive of superannuation to be reviewed annually.
- Employer or employee may terminate employment on giving of 90 days' notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to the base salary for the unexpired period of notice.
- There are no STI/LTI in place for Victor Previn in his capacity as acting Chief Executive Officer.

Ged Wallace – Former Chief Executive Officer (appointed 8 April 2019 and resigned 19 July 2019)

- Total remuneration package of $340,000 exclusive of superannuation to be reviewed annually.
- Interstate relocation costs $20,000.
- Annual leave entitlements of 25 days per year.
- Employer or employee was able to terminate employment on giving of 90 days' notice and in the event of early termination at the option of the employer during the first 12 months of employment; and six months' written notice where notice of termination is given thereafter.
- Mr Wallace was eligible for a discretionary performance based short term incentive of up to 40% of base salary each year, on such terms as the Board may decide.
- Mr Wallace long term incentive from 1 July 2020 entitled him to be eligible to participate in the Company Employee Incentive Plan subject to meeting all Plan Rules and Conditions of 3.2m options vested over 4 years. No options were issues to Mr Wallace

Remuneration of Directors and Executives

i) Elements of Director and Executive Compensation

The remuneration structure that has been adopted by the Group consists of the following components:

a) Fixed salary/fees
b) Benefits – including the provision of motor vehicle, superannuation, and health benefits; and

c) Short term incentive (STI) – the performance measures are set annually after consultation with the Directors and Executives and are specifically tailored to the areas where each Executive has a level of control.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPI's.

ii) Remuneration of Directors and Executives 2020FY

	Short-term employee benefits				Post-employment benefits		Share-based payment			Other long-term benefits	Total
	Salary and fees	Director and committee Fees	Bonus	Non-monetary benefits	Superannuation	Other	Shares	Options	Rights		
2020	$	$	$	$	$	$	$	$	$	$	$
Directors											
V Previn*	153,461	75,000	-	-	18,916	-	-	-	-	-	247,377
G Canala	-	44,457	-	-	24,223	-	-	-	-	-	68,680
A Sundich	-	61,712	-	-	5,863	-	-	-	-	-	67,575
R Coupe	-	57,962	-	-	5,506	-	-	-	-	-	63,468
M Southard**	78,500	74,695	-	-	-	458	-	-	-	-	153,653
M Mangano	-	74,695	-	-	-	-	-	-	-	-	74,695
Executives											
M Maieli	204,276	-	-	-	15,799	-	-	-	-	-	220,075
G Wallace***	118,413	-	-	-	2,923	1,923	-	-	-	-	123,259
Total	**554,650**	**388,521**	**-**	**-**	**73,230**	**2,381**	**-**	**-**	**-**	**-**	**1,018,782**

*Directors remuneration is displayed on a cash basis. Due to the timing of payroll payments from FY19 to FY20 the amount of salary, fees and also superannuation may vary from the accrued amounts.

** Salary and fees relate to consultancy services.

*** Includes termination payment of $80,000

iii) Remuneration of Directors and Executives 2019FY

2019	Short-term employee benefits				Post-employment benefits		Share-based payment			Other long-term benefits	Total
	Salary and fees	Director and committee Fees	Bonus	Non-monetary benefits	Superannuation	Other	Shares	Options	Rights		
	$	$	$	$	$	$	$	$	$	$	$
Directors											
V Previn	148,077	70,000	-	-	18,667	-	-	-	-	34,941	271,685
G Canala	-	60,000	-	-	5,750	-	-	-	-	-	65,750
A Sundich	-	55,000	-	-	5,275	-	-	-	-	-	60,275
R Coupe	-	55,000	-	-	5,225	-	-	-	-	-	60,225
M Southard**	92,957	70,423	-	-	-	-	-	-	-	-	163,380
M Mangano	-	70,423	-	-	-	-	-	-	-	-	70,423
Executives											
G Wallace	61,538	-	-	-	5,846	-	-	-	-	-	67,384
T Spurling *	305,771	-	-	-	21,923	-	-	-	-	-	327,694
Total	**608,343**	**380,846**	**-**	**-**	**62,886**	**-**	**-**	**-**	**-**	**34,941**	**1,086,816**

* Includes termination payment of $75,000.

** Salary and fees relate to consultancy services.

Bonuses granted as compensation – 2020 and 2019

Name	Fixed remuneration		Performance based remuneration: Bonus		Performance based remuneration: LTI		At Risk	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
V Previn	100	100	-	-	-	-	-	-
G Canala	100	100	-	-	-	-	-	-
A Sundich	100	100	-	-	-	-	-	-
R Coupe	100	100	-	-	-	-	-	-
M Southard	100	100	-	-	-	-	-	-
M Mangano	100	100	-	-	-	-	-	-
M Maieli	100	NA	-	-	-	-	-	-
G Wallace	100	100	-	-	-	-	-	-
T Spurling	NA	100	-	-	-	-	-	-

Director and Executive shareholdings

The following table sets out each Director's relevant beneficiary interest in shares of the Company or a related body corporate as at the date of this report:

	Beneficiary holdings of Directors and Executives			
Directors	Opening Balance	Received as compensation	Movements	Closing Balance
V Previn*	9,069,980	-	246,051*	9,316,031
A Sundich	6,300,000	-	-	6,300,000
G Canala**	3,061,788	-	(3,061,788)**	-
R Coupe	914,400	-	-	914,400
M Southard	20,000	-	-	20,000
M Mangano	50,000	-	-	50,000
Executives				
G Wallace	-	-	-	-
M Maieli	-	-	-	-

*Holding by Victor Previn Family A/C determined beneficial holding and included in Beneficiary holdings of Directors and Executives

**G Canala resigned as a Director effective 27 November 2019.

Value of options issued to Directors and Executives

No options were granted or exercised during the year on behalf of the Company

Voting of shareholders at last year's annual general meeting

Nova Eye Medical Limited received more than 89% of "yes" votes on its Adoption of Remuneration Report Motion for the 2019 financial year.

Other transactions with KMP

During the financial year ended 30 June 2020, the following transactions occurred between the Group and its other related parties:

- Consulting fees of $78,500 (2019: $92,957) were paid to XMN Inc, a Director related entity of Mr Southard.

End of remuneration report

Proceedings on behalf of the Company

There are currently no pending proceedings on behalf of the Company. No persons have applied for leave of the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings. No proceedings have been brought or intervened on behalf of the Group with leave of the court under Section 237 of the Corporations Act 2001.

Non-audit services

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit & Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit & Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor.
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, PricewaterhouseCoopers, and its related practices for audit and non-audit services provided during the year are set out in Note 31 to the financial statements.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2020 is following this Directors' report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Legislative Instrument 2016/191 and in accordance with that Instrument amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.

V Previn
Chairman
Adelaide, 28 August 2020

Auditor's Independence Declaration

As lead auditor for the audit of Nova Eye Medical Limited (formerly Ellex Medical Lasers Limited) for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Nova Eye Medical Limited and the entities it controlled during the period.

M. T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
28 August 2020

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2020

		Consolidated Group	
	Note	2020 $'000	2019 $'000
Revenue	2	12,769	16,140
Other income	4(a)	129	289
Foreign exchange gain	4(b)	(140)	(36)
Changes in inventories of finished goods and work in progress		123	1,012
Raw materials and consumables used		(3,145)	(3,989)
Employee benefits expenses		(9,948)	(12,383)
Depreciation and amortisation expense	4(b)	(1,438)	(1,031)
Facility and property expenses		(109)	(517)
Legal fees	4(b)	(267)	(67)
Impairment expense		-	(9)
Advertising and marketing		(668)	(789)
Congress expenses		(5)	(1,159)
Finance costs	3	(63)	(1)
Travel expenses		(665)	(1,595)
Consulting fees		(2,590)	(2,225)
Other expenses		(1,232)	(1,603)
Profit / (Loss) before income tax from continuing operations		(7,249)	(7,963)
Income tax (expense)/ benefit	5	(3,078)	1,302
Profit / (Loss) for the year from continuing business		(10,327)	(6,661)
Profit / (Loss) after tax from discontinued operations	28	45,980	888
Profit / (Loss) after tax for the period		35,653	(5,773)

Notes to the financial statements are included on pages 29 to 83.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2020 (continued)

		Consolidated Group	
	Note	2020 $'000	2019 $'000
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		(1,393)	681
Exchange differences relating to discontinued operations		(2,470)	644
Total exchange differences relating to foreign operations		(3,863)	1,325
Total comprehensive income for the year		31,790	4,448
Earnings per share:			
From continuing operations:			
Basic (cents per share)	19	(7.19)	(4.64)
Diluted (cents per share)	19	(7.19)	(4.64)
From discontinued operations:			
Basic (cents per share)	19	32.02	0.62
Diluted (cents per share)	19	32.02	0.62
From profit attributable to the ordinary equity holders of the company:			
Basic (cents per share)	19	24.83	(4.02)
Diluted (cents per share)	19	24.83	(4.02)

Notes to the financial statements are included on pages 29 to 83.

Consolidated Statement of Financial Position as at 30 June 2020

	Note	Consolidated Group	
		2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	27(a)	95,649	15,372
Trade and other receivables	6	3,828	15,503
Inventories	7	2,934	26,084
Prepayments		494	773
Total current assets		102,905	57,732
Non-current assets			
Trade and other receivables	6	48	282
Inventories	7	-	150
Property, plant and equipment	8	1,178	13,730
Lease right to use asset	9	1,734	-
Intangible assets	10	3,341	4,031
Capitalised development expenditure	11	7,536	15,308
Deferred tax assets	5	-	8,660
Total non-current assets		13,837	42,161
Total assets		116,742	99,893
Current liabilities			
Trade and other payables	13	3,826	7,468
Borrowings and lease obligations	14	1,909	15,039
Provisions	15	472	3,300
Deferred income	16	-	3,341
Current tax liabilities		8,151	178
Total current liabilities		14,358	29,326

Notes to the financial statements are included on pages 29 to 83.

Consolidated Statement of Financial Position as at 30 June 2020 (continued)

		Consolidated Group	
	Note	2020 $'000	2019 $'000
Non-current liabilities			
Borrowings and lease obligations	14	1,433	42
Provisions	15	50	505
Deferred income	16	-	1,224
Deferred tax liability	5	315	-
Total non-current liabilities		**1,798**	**1,771**
Total liabilities		**16,156**	**31,097**
Net assets		**100,586**	**68,796**
Equity			
Issued capital	22	78,311	78,311
Reserves	17	(2,359)	1,646
Accumulated (losses)/ profits	18	24,634	(11,161)
Total Equity		**100,586**	**68,796**

Notes to the financial statements are included on pages 29 to 83.

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2020

	Issued capital $'000	Other reserves $'000	Foreign currency reserve $'000	Accumulated (losses)/ profits $'000	Total $'000
Balance at 1 July 2018	78,311	142	179	(5,388)	73,244
Issue of share capital	-	-	-	-	-
Total of transactions with owners	-	-	-	-	-
(Loss) for the year	-	-	-	(5,773)	(5,773)
Other comprehensive income	-	-	1,325	-	1,325
Total comprehensive income	-	-	1,325	(5,773)	(4,448)
Balance at 30 June 2019	78,311	142	1,504	(11,161)	68,796
Effect from adoption of new lease standard (Note 1a)	-	-	-	-	-
Total of transactions with owners	-	-	-	-	-
Issue of share capital	-	-	-	-	-
Profit/(Loss) for the year	-	-	-	35,653	35,653
Transfer to Retained Earnings	-	(142)	-	142	-
Other comprehensive income	-	-	(3,863)	-	(3,863)
Total comprehensive income	-	(142)	(3,863)	35,795	31,790
Balance at 30 June 2020	78,311	-	(2,359)	24,634	100,586

Notes to the financial statements are included on pages 29 to 83.

Consolidated Statement of Cash Flows for the financial year ended 30 June 2020

		Consolidated Group	
	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		79,353	83,795
Grant income received		858	61
Payments to suppliers and employees		(74,019)	(87,244)
Interest and other costs of finance paid		(375)	(411)
Income tax paid		(417)	(408)
Net cash (used in)/provided by operating activities	27(c)	5,400	(4,207)
Cash flows from investing activities			
Interest received		52	166
Payment for property, plant and equipment		(264)	(726)
Payment for Investments		(97)	-
Proceeds from sale of plant and equipment		144	8
Payment for intangible assets		(679)	(520)
Payments for capitalised development costs		(719)	(2,419)
Proceeds from Sale of Business	28	97,347	-
Cash outflow on disposal of subsidiaries	28	(7,476)	-
Net cash used in investing activities		88,308	(3,491)

Notes to the financial statements are included on pages 29 to 83.

Consolidated Statement of Cash Flows for the financial year ended 30 June 2020 (continued)

		Consolidated Group	
	Note	2020 $'000	2019 $'000
Cash flows from financing activities			
Repayment of mortgage		(12,309)	(800)
Proceeds from borrowings		-	824
Repayment of leases principle		(980)	(133)
Net cash provided by financing activities		(13,289)	(109)
Net (Decrease)/ increase in cash and cash equivalents		80,419	(7,807)
Cash and cash equivalents at the beginning of the financial year		15,183	23,067
Effects of exchange rate changes on the balance of cash held in foreign currencies		47	(77)
Cash and cash equivalents at the end of the financial year	27(a)	95,649	15,183

Cash flows of discontinued operations are disclosed in (note 28)

Notes to the financial statements are included on pages 29 to 83.

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2020

Note Contents

Notes to the financial statements

1. Significant accounting policies

This financial report includes the consolidated financial statements and notes of Nova Eye Medical Limited (formerly Ellex Medical Lasers Limited) and controlled entities (the "Group").

Statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Nova Eye Medical Limited is the Group's Ultimate Parent Company. Nova Eye Medical Limited is a Public Company incorporated and domiciled in Australia. The address of its principal place of business during the year ended 30 June 2020 is 3 Second Avenue, Mawson Lakes, South Australia, 5095. The address of the principal place of business from 1 July 2020 is 107 Rundle Street, Kent Town, South Australia 5067.

The consolidated financial statements for the year ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 28th August 2020.

Basis of preparation

The financial report has been prepared on the basis of historical cost. All amounts are presented in Australian Dollars unless otherwise stated.

The Company is a company of the kind referred to in ASIC Legislative Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report are rounded to the nearest thousand dollars, unless otherwise indicated. Nova Eye Medical Limited is a for profit entity for the purpose of preparing financial statements.

The Lasers and Ultrasound business of the group was sold on 30 June 2020 and has been treated as a discontinued operation. A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss. Information about discontinued operations is provided in note 28.

New and amended standards adopted by the Group

a) AASB 16 - Leases

The Group has changed its accounting policy for leases where the group is a lessee. Until 30 June 2019, leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charged, were included in other short-term and long-term payables.

Each lease payment was allocated between the liability and the finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

IFRS 16 Leases was applicable for the current reporting period and was applied with effect from 1 July 2019. From 1 July 2019, leases are recognised as a right-of-use asset (classified in property, plant and equipment on the balance sheet), and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the group under residual value guarantees
- The exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- Where possible, uses recent third-party financing received by the individual lease as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group, which does not have recent third-party financing, and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchaser option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of plant and equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the profit and loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise small IT equipment.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options are exercisable by the group and not the respective lessor. Such extension and terminations options are included in the estimation of lease liability if they are considered reasonably certain to be exercised.

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts as a 1 July 2019.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and interpretation 4 *Determining whether an Arrangement contains a lease.*

The Group has elected to adopt the cumulative catch up approach whereby comparatives are not restated, as permitted by the standard. On the date of initial application, the right of assets were recognised at the amount equivalent to the lease liabilities. The below shows the impact on the statement of financial as at 1 July 2019:

Consolidated statement of financial position

Continuing operations	30 June 2020 $'000	1 July 2019 $'000
Buildings	1,734	4,163
Plant and equipment	-	153
Total Right of use asset (included in Property, plant and equipment)	**1,734**	**4,316**
Lease liabilities current (included in Borrowings)	355	822
Lease liabilities non-current (included in Borrowings)	1,433	3,494
Total lease liability	**1,788**	**4,316**
Impact on net deferred tax asset	**-**	**-**

Consolidated statement of profit or loss and other comprehensive income

	30 June 2020 $'000	
	Continuing operations	Discontinued operations
Rental expense	390	549
Depreciation expense	385	519
Interest expense	59	64

Reconciliation of operating lease commitments to lease liability recognised

	$'000
Operating lease commitments disclosed as at 30 June 2019	4,752
Discounted using the lessee's incremental borrowing rate at the date of initial application	4,406
Add finance lease liabilities recognised as at 30 June 2019	167
(Less) short term leases recognised on a straight-line basis as an expense	(40)
(Less) low value leases recognised on a straight-line basis as an expense	(50)
Lease liability recognised as at 1 July 2019	**4,483**
Of which are:	
Current lease liabilities from standard change	822
Non-current lease liabilities from standard change	3,494
Total of lease recognised from standard change as at 1 July 2019	4,316
Current lease liabilities (classified as finance leases as at 30 June 2019)	125
Non-current lease liabilities (classified as finance leases as at 30 June 2019)	42
Total Leases as at 1 July 2019	**4,483**

b) AASB Interpretation 23 - Uncertainty over Income Tax Treatments

The Group has applied this interpretation effective 1 July 2019 and it has not had any material impact on the financial statements of the group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Accounting Policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2020 and the comparative information presented in these financial statements for the year ended 30 June 2019.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(i) Financial assets

Classification

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 Group'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.

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.

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 a separate line item in the statement of profit or loss and other comprehensive income.

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 income 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 and other comprehensive income.

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

The Group assesses on a forward-looking basis that 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, see note 6(a) for further details.

(ii) Financial instruments issued by the Company

Equity instruments

Equity instruments are classified as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the consolidated group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(iii) Foreign currency

For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Nova Eye Medical Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entities functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the consolidated group's foreign currency translation reserve. Such differences are recognised in profit or loss in the period in which the foreign operation is disposed.

(iv) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(v) Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Cash-generating units (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(vi) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated group, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 10 'Consolidated Financial Statements'. A list of subsidiaries appears in note 24 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated group are eliminated in full.

(vii) Rounding of amounts

The Company is a company of the kind referred to in ASIC Legislative Instrument 2016/191 and in accordance with that Instrument amounts in the consolidated financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

(viii) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimate and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable the future taxable profit will be available to utilise those temporary differences. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

Nova Eye Inc (formerly Ellex iScience Inc)

The deferred tax assets include an amount of $0k (2019: $3,488k) relating to carried forward tax losses of Nova Eye Inc. Tax losses in the USA can be carried forward for a maximum of 20 years. While the tax losses will still be available to the Group to reduce future income tax, for accounting purposes they have been derecognised.

Unused research and development tax offset

The deferred tax assets include an amount of $0k (2019: $4,850k) which relates to unused research and development tax offsets available to the Australian tax consolidated Group (detailed in note 5(c)). During the year ended 30 June 2020 these tax losses were utilised against the taxable gain on sale of the Laser & Ultrasound business.

(ix) Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of long-lived assets

The Group tests whether non-financial assets (including capitalised development expenditure, intangible assets and property, plant and equipment), have suffered any impairment on an annual basis. The cash generating units (CGUs) of the group are iTrack™ and 2RT® business segments which are capable of producing independent cash flows.

The Group recognised an impairment loss on capitalised development expenditure of $0k (2019: $161k).

iTrack™

For the 2020 and 2019 reporting periods, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate stated below. Impairment testing at 30 June 2020 included an assessment of the impact of COVID-19 on future sales. During March, April, May & June 2020 sales were negatively impacted by temporary closures of ophthalmic surgery centres as a result of the pandemic. The Company has experienced a normalisation of activity for iTrack™ surgery during late June and into July 2020.

The table on the following page sets out the key assumptions within the value-in-use calculation for the CGU's:

	30 June 2020	30 June 2019
iTrack™		
Sales growth (% average annual growth rate)	19	22
Sales prices (% average annual growth rate)	0.0	2.0
Long-term growth rate (%)	2.0	2.0
WACC (%) post tax	11.92	7.83

2RT®

Management has determined the recoverable amount of the 2RT® CGU by assessing the fair value less cost of disposal (FVLCOD) of the underlying assets, the 2RT® intellectual property ("IP"). The valuation was based on a replacement cost and includes the following significant input:

- Historical actual cost incurred in the development of the IP

- Expected developers profit margin of 19.1% and
- Opportunity cost estimated using a Weighted average cost of capital (WACC) of 11.92%.

The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Assessment of a reasonable change in assumptions (+- 5% on sales growth, and +-2% on WACC) does not give rise to any potential impairment in relation to the carrying value of iTrack™ assets. A reasonably possible change in the assumptions relating to the fair value estimate (+-5% on costs incurred in the development of Intellectual Property costs, +-5% on expected developers profit margin and +-2% on the opportunity cost) will not result in an impairment in relation to the carrying value of the 2RT® assets.

2. Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of control to the buyer and where all obligations incidental to the sale have been completed by Nova Eye Medical Limited. The sales price for goods is reduced by any amounts relating to future services yet to be performed such as preventative maintenance services. Transaction price is allocated between performance obligations on a relative standalone price-basis.

Following the sale of the Laser & Ultrasound business there are no material after-sale service and maintenance, preventative maintenance services included in the sale of goods, and extended warranty contracts. In prior years consideration received for those services was initially deferred in deferred revenue and is recognised as revenue in the period the service was performed. For continuing operations service revenue for year ended 30 June 2019 is $0k.

(a) Revenue from the sale of goods

	Consolidated Group	
	2020 $'000	2019 $'000
Revenue from the sale of goods	12,769	16,140
Total revenue from continuing operations	**12,769**	**16,140**

3. Finance costs

	Consolidated Group	
	2020 $'000	2019 $'000
Interest on bank overdrafts, trade finance and loans	(58)	(1)
Interest on obligations under leases	(5)	-
Total finance costs	(63)	(1)

4. Profit/(Loss) for the year

Profit for the year has been arrived at after crediting (charging) the following gains and losses from continuing operations:

(a) Other income

Grants income

Government grants are assistance by the government in the form of transfers of resources to the consolidated group in return for past or future compliance with certain conditions relating to the operating activities of the entity or relating to the impact of the COVID-19 pandemic on the business. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated group other than the requirement to operate in certain regions or industry sectors, or to maintain certain expenditures on staff and facilities.

Government grants have been recognised as income in profit and loss over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated group with no future related costs are recognised in profit and loss in the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income on the balance sheet and then recognised in profit and loss over the expected useful lives of the assets concerned. Grant funds received are to be spent in accordance with the contract. Monies not spent in accordance with the grant agreement may need to be refunded.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

	Consolidated Group	
	2020 $'000	2019 $'000
Grants income	30	-
Interest	52	166
Other income	47	123
Total other income	**129**	**289**

(b) Other expenses

Profit before income tax has been arrived at after charging the following expenses. The line items below are attributable to continuing operations:

	Consolidated Group	
	2020 $'000	2019 $'000
Cost of goods sold	4,407	5,215
Depreciation of property, plant and equipment	889	248
Amortisation of intangible assets	549	783
Total depreciation and amortisation expense	**1,438**	**1,031**
Other expenses		
Legal fees	267	67
Foreign exchange (gains)/losses	140	36
Minimum lease payments	-	895
Superannuation contributions	17	948

5. Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

The Group is eligible for research and development ("R&D") tax offsets which are used to reduce current year taxes payable. Any unused tax offsets are carried forward and are recognised as a deferred tax asset.

Deferred tax

Deferred tax is accounted for using the liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax in relation to the assets and liabilities arising from the adoption of AASB 16 - Leases are recognised considering the tax consequences of these assets and liabilities. No additional deferred tax was recognised at 1 July 2019, on the initial adoption of AASB 16 as the asset and liability recognised was equal.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is recognised directly in equity.

Income tax recognised in profit or loss

	Consolidated Group	
	2020 $'000	2019 $'000
Tax expense/(benefit) comprises:		
Current tax expense	8,602	474
Deferred tax expense/(benefit)	8,975	(357)
Total tax expense/(benefit)	**17,577**	**117**
The prima facie income tax expense on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:		
Profit/(loss) from continuing operations before tax	**(7,249)**	**(7,963)**
Profit from discontinued operations before tax	**60,499**	**2,307**
Profit/(Loss) from operations	**53,250**	**(5,656)**
Prima facie income tax expense/(benefit) at statutory corporate tax rate in Australia of 30% (i)	15,975	(1,697)
Non-deductible expenses	392	211
Effect of different tax rates of tax on overseas income	459	433
Other – Research and Development Tax Concession	(99)	-
Capital gain on shares - difference in the tax base	(4,325)	-
Derecognition of carry forward losses	6,284	-
Other	(288)	1,016
Under/(over) provision of income tax in previous year	(821)	154
Total income tax expense/ (benefit)	**17,577**	**117**
Continuing operations	**3,078**	**117**
Discontinued operations	**14,499**	**-**
Total	**17,577**	**117**

(i) The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate in Australia when compared with the previous reporting period.

(a) Deferred tax balances

Deferred tax assets/(liabilities) arising from the following:

	Consolidated Group			
2020 Continuing operations	1/07/19 $'000	Charged to Profit and Loss $'000	Charged to Equity $'000	30/06/20 $'000
Assets				
Property, plant and equipment	114	(113)	-	1
Intangibles	373	(344)	-	29
Capitalised Development costs	(1,668)	(230)	-	(1,898)
Section 40-880 deductions	464	(43)	-	421
Provisions	63	3	-	66
Temporary difference on unrealised intercompany profits				
Other	385	417	-	802
Liabilities				
Provisions	-	-	-	-
	(269)	(310)	-	(579)
Unused tax losses and credits				
Tax losses (Japan)	-	-	-	-
Tax losses (USA)	-	-	-	-
Tax losses (Germany)	-	-	-	-
Tax losses (USA - Nova Eye Inc, formerly Ellex iScience Inc)	3,487	(3,223)	-	264
Unused Research and Development tax offset	4,850	(4,850)	-	-
	8,068	-	-	
Discontinued operations	592	(592)	-	-
	8,660	(8,975)	-	(315)

(b) Deferred tax balances

	Consolidated Group			
2019	1/07/18 $'000	Charged to Income $'000	Charged to equity $'000	30/06/19 $'000
Assets				
Property, plant and equipment	50	80	-	130
Intangibles	1,825	(225)	-	1,600
Capitalised Development costs	(4,557)	198	-	(4,359)
Section 40-880 deductions	611	(148)	-	463
Provisions	1,224	(52)	-	1,172
Temporary difference on unrealised intercompany profits	67	(46)	-	21
Other	1,375	(105)	-	1,270
Liabilities				
Provisions	-	-	-	-
	595	(298)	-	297

	Consolidated Group			
	1/07/18 $'000	Charged to Income $'000	Charged to Equity $'000	30/06/19 $'000
Unused tax losses and credits				
Tax losses (Japan)	-	-	-	-
Tax losses (USA)	-	-	-	-
Tax losses (Germany)	53	(28)	-	25
Tax losses (USA - Nova Eye Inc, formerly Ellex iScience Inc)	2,339	1,149	-	3,488
Unused Research and Development tax offset	5,316	(466)	-	4,850
	7,708	655	-	8,363
	8,303	357	-	8,660

(c) Tax losses

	2020 $'000	2019 $'000
Unused tax losses for which no deferred tax asset has been recognised		
Japan	-	8,927
USA - Tax losses (USA - Nova Eye Inc, formerly Ellex iScience Inc)*	14,004	1,019
	14,004	9,946
Potential tax benefit @ 30%*	4,201	2,984

*notwithstanding that the tax losses remain available for use, tax losses attributable to Nova Eye Inc (formerly Ellex iScience Inc) and unused research and development tax offset have been derecognised due to the uncertainty over its realisation against future taxable income in accordance with accounting rules.

(d) Tax consolidation

Relevance of tax consolidation to the consolidated group

Nova Eye Medical Limited and its wholly owned Australian subsidiaries have applied the tax consolidation legislation which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Nova Eye Medical Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding agreement.

The completion of the sale of the Laser & Ultrasound business on 30 June 2020 resulted in the exit of certain member subsidiaries of the tax consolidated group. Before exiting the tax consolidated group each existing member made a payment to Nova Eye Medical Limited representing the income tax due for the year ended 30 June 2020. The impact of these payments was included in the price paid by the purchaser of the Laser & Ultrasound business.

6. Trade and other receivables

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 Group 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.

	Consolidated Group	
	2020 $'000	2019 $'000
Current		
Trade receivables (i)	1,690	15,344
Allowance for doubtful debts	-	-
	1,690	15,344
Other receivables	2,018	126
Goods and services tax (GST) recoverable	120	33
	3,828	15,503
Non-Current		
Sundry receivables	48	282
	48	282

(i) Trade receivables of $0k (2019: $6,174k) were subject to a trade finance facility as described in Note 15 in the 2019 Annual Report. This related to the discontinued operations and specifically to receivables due from customers in Japan, USA, Europe and Australia.

Impairment of trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The group recognises expected losses based on past payment profiles of the customers and by taking into account any forward looking macroeconomic factors that may affect the ability of the customers to settle the receivables. The group has considered the impact of COVID-19 on the credit risk and potential default by the customers and included this consideration in determining the loss rate. The group has no history of defaults and has not incurred any impairment losses from debtors. The group also does not expect to incur any losses in relation to its debtors due to the credit quality of its customers. When taking these factors into account, the Group has a 0% expected loss rate on trade and other receivables.

30 June 2020	1-30 days	30 - 60 days	60 - 90 days	90 - 120 days	Total
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount - trade receivables	1,190	45	174	281	1,690

7. Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

	Consolidated Group	
	2020 $'000	2019 $'000
Raw materials – at cost	755	8,859
Raw materials – at net realisable value	-	233
Work in progress – at cost	-	2,117
Work in progress – at net realisable value	-	22
Finished goods – at cost	2,179	14,694
Finished goods – at net realisable value	-	159
Total current inventories	2,934	26,084
Non-current Finished goods – at cost	-	150
Provision for stock obsolescence	-	(804)

8. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the items payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a straight line and diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the lease.

Capital WIP is not depreciated until the asset is ready for use.

The following estimated useful lives are used in the calculation of depreciation:

- Building 50 years
- Plant and equipment 2 – 20 years

		Consolidated Group			
	Capital WIP $'000	Land $'000	Building at cost $'000	Plant & Equipment at cost $'000	Total $'000
Gross carrying amount					
Balance at 30 June 2018	125	2,200	4,791	17,599	24,715
Additions	600	-	-	122	722
Transfers to/(from) capital WIP	(314)	-	-	314	-
Disposals	-	-	-	(888)	(888)
Net foreign currency exchange difference				284	284
Balance at 30 June 2019	411	2,200	4,791	17,431	24,833
Additions	-	-	-	264	264
Transfers to/(from) capital WIP	(411)	-	-	411	-
Disposals	-	-	-	-	-
Transferred out on discontinued operations	-	(2,200)	(4,791)	(16,171)	(23,162)
Net foreign currency exchange difference	-	-	-	28	28
Balance as at 30 June 2020	-	-	-	1,963	1,963
	Capital WIP $'000	Land $'000	Building at cost $'000	Plant & Equipment at cost $'000	Total $'000
Accumulated depreciation					
Balance at 30 June 2018	-	-	(212)	(9,927)	(10,139)
Depreciation	-	-	(44)	(1,533)	(1,577)
Disposals	-	-	-	818	818
Net foreign currency exchange differences	-	-	-	(205)	(205)
Balance at 30 June 2019	-	-	(256)	(10,847)	(11,103)
Depreciation – continued operations	-	-	-	(889)	(889)
Depreciation – discontinued operations	-	-	(86)	(769)	(855)
Disposals	-	-	-	-	-
Transferred out on discontinued operations	-	-	342	11,720	12,062
Net foreign currency exchange differences	-	-	-	-	-
Balance at 30 June 2020	-	-	-	(785)	(785)
Net book value					
As at 30 June 2019	411	2,200	4,535	6,584	13,730
As at 30 June 2020	-	-	-	1,178	1,178

9. Right to use assets

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchaser option, the right-of-use asset is depreciated over the underlying asset's useful life.

	Consolidated Group		
	Plant & equipment $'000	Land & Building $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2019	153	4,163	4,316
Additions	-	-	-
Transferred to discontinued operations	(45)	(1,633)	(1,678)
Amortisation	(108)	(796)	(904)
Net foreign currency exchange difference	-	-	-
Balance at 30 June 2020	-	1,734	1,734

10. Intangible assets

Patents, trademarks and licences

Patents and trademarks are recorded at cost less accumulated amortisation. Amortisation is charged on a straight-line basis over the estimated useful lives (2-20 years) of the products the patent covers. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Intellectual Property

Intellectual property acquired is recognised at fair value and is amortised straight line over 10 years.

	Consolidated Group		
	Intellectual Property	Patents & Trademarks	Total
	$'000	$'000	$'000
Carrying amount			
Balance at 30 June 2018	4,006	2,177	6,183
Additions / Disposals	-	542	542
Impairment	-	-	-
Foreign currency exchange differences	222	55	277
Balance at 30 June 2019	4,228	2,774	7,002
Additions / Disposals	-	679	679
Foreign currency exchange differences	82	(32)	50
Transfer out on sale of Laser & Ultrasound Business	-	(1,191)	(1,191)
Balance at 30 June 2020	4,310	2,230	6,540
Accumulated amortisation and impairment			
Balance at 30 June 2018	(1,796)	(502)	(2,298)
Amortisation	(422)	(145)	(567)
Foreign currency exchange differences	(100)	(6)	(106)
Balance at 30 June 2019	(2,318)	(653)	(2,971)
Additions / Disposals	-	(115)	(115)
Amortisation	(296)	(95)	(391)
Impairment	-	-	-
Transfer – Internal Reallocation	(180)	180	-
Foreign currency exchange differences	-	3	3
Transfer out on sale of Laser & Ultrasound Business	-	275	275
Balance at 30 June 2020	(2,794)	(405)	(3,199)
Net book value			
As at 30 June 2019	1,910	2,121	4,031
As at 30 June 2020	1,516	1,825	3,341

11. Capitalised development expenditure

	Consolidated Group
	$'000
Gross carrying amount	
Balance at 30 June 2018	**27,529**
Additions	2,434
Foreign currency exchange differences	17
Impairment	(161)
Balance at 30 June 2019	**29,819**
Additions	719
Foreign currency exchange differences	(15)
Transfer out discontinued operations	(22,892)
Balance at 30 June 2020	**7,631**
Accumulated amortisation and impairment	
Balance at 30 June 2018	**(12,644)**
Amortisation expense	(1,867)
Balance at 30 June 2019	**(14,511)**
Amortisation expense	(107)
Transfer out discontinued operations	14,523
Balance at 30 June 2020	**(95)**
Net book value	
As at 30 June 2019	**15,308**
As at 30 June 2020	**7,536**

Development expense/capitalised development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised over the period which the products are actually sold:

- Capitalised development costs 5 – 10 years

Capitalised development at 30 June 2020 includes $7.5m of expenditure on products that have not yet been commercialised. Of this amount, $6.2m relates to 2RT® with the remaining relating to the pipeline of other new products.

12. Assets pledged as security

On 30 June 2020 all borrowings were repaid with the proceeds from the sale of the Laser & Ultrasound business and there are no longer any assets pledged as security.

Prior to 30 June 2020, in accordance with the security arrangements of liabilities, as disclosed in Note 14 (Borrowings), all non-current and current assets of the consolidated group (excluding capitalised development and deferred tax assets), were pledged as security under banking agreements. There previously was a first registered mortgage over the property situated at 3-4 Second Avenue, Mawson Lakes, South Australia.

13. Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measures at amortised cost using the effective interest method.

14. Borrowings and lease obligations

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowings using the effective interest rate method. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

	Consolidated Group	
	2020 $'000	2019 $'000
Current		
Bank overdraft	-	189
Mortgage (Mawson Lakes) (i)	-	5,723
Bank borrowings (ii)	-	8,674
Finance lease liabilities	355	125
Other loans (unsecured)	1,554	328
	1,909	15,039
Non-Current		
Finance lease liabilities	1,433	42
	1,433	42

Summary of borrowing arrangements

On 30 June 2020 bank borrowings were repaid with the proceeds from the sale of the Laser & Ultrasound business. At 30 June 2019 the following arrangements were in place:

(i) Mortgage for Mawson Lakes $2,117k and fit out for Mawson Lakes $3,606k.
(ii) Bank Borrowings is the sum of ANZ bank facility. The ANZ facility was a combination of working capital facilities, trade finance $6,174k, overdraft $189k and cash advance $2,500k. This facility was an "umbrella" facility across the subsidiaries in the group. A financial instrument in any one subsidiary in the currency of AUD, USD, YEN, RMB and EUR was able to be financed in this facility. Interest rates were floating BBR daily rates for the relevant currency.
(iii) Secured by the assets leased. The borrowings are all at fixed interest rates with repayment periods not exceeding 5 years.

Loan covenants

On 30 June 2020 borrowings were repaid with the proceeds from the sale of the Laser & Ultrasound business.

In the comparative period the ANZ Banking facility was treated as a current liability resulting from a breach of a covenant in the banking agreement.

Leases

(a) Leasing arrangements recognised on balance sheet

- Leases relate to motor vehicles, plant and equipment and leasehold improvements with lease terms of 3 to 5 years.

- The consolidated group's obligations under leases are secured by the lessor's title to the leased assets.

Present value of minimum future lease payments

	Consolidated Group	
	2020 $'000	2019 $'000
Not longer than 1 year	404	86
1 to 5 years	1,512	88
Greater than 5 years	-	-
Minimum future lease payments	**1,916**	**174**
Less future finance charges	(128)	(7)
Present value of minimum lease payments	1,788	167

(b) Operating leases - previously not recognised on balance sheet

Leasing arrangements

- Operating leases relate to business premises with lease terms of between 1 months to 10 years and plant and equipment and motor vehicles with lease terms less than 5 years.
- From 1 July 2019, the Group has recognised right-of-use assets and lease obligations for these leases except for short term and low-value leases as detailed in (a) above.

Non-cancellable operating lease payments

	Consolidated Group
	2019 $'000
Not longer than 1 year	890
Longer than 1 year and not longer than 5 years	3,410
Greater than 5 years	452
Total non-cancellable operation lease payments	4,752

15. Provisions

Provisions are recognised when the consolidated group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the Company's best estimate of the expenditure required to settle the consolidated group's liability.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, staff bonuses, annual leave, long service leave and sick leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the compensation rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated group in respect of services provided by employees up to reporting date.

Contributions to employee contribution super plans are expensed when incurred.

	Consolidated Group	
	2020 $'000	2019 $'000
Current		
Employee benefits	464	2,928
Warranty (i)	8	372
	472	**3,300**
Non-Current		
Employee benefits (ii)	**50**	**505**

(i) Warranty

The provision for warranty claims represents the present value of the Company's best estimate of the future outflow of economic benefits that will be required under the consolidated group's warranty program. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

Warranty (i)	Consolidated Group $'000
Balance at 30 June 2018	**332**
Additional provisions recognised	552
Amounts used	(512)
Balance at 30 June 2019	**372**

Additional provisions recognised	494
Amounts used	(456)
Amounts transferred out on sale of Laser & Ultrasound business	(402)
Balance at 30 June 2020	8

(ii) Leave obligations

The leave obligations cover the group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits. The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also for those employees that are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. The below reflects leave that is not expected to be taken or paid within the next 12 months.

	Consolidated Group	
	2020 $'000	2019 $'000
Leave obligations expected to be settle after 12 months	50	1,464

16. Deferred income

	Consolidated Group	
	2020 $'000	2019 $'000
Deferred service income (i)	-	3,240
Capital grants (ii)	-	101
Total current deferred income	**-**	**3,341**
Deferred service income	-	161
Capital grants	-	1,063
Total non-current deferred income	**-**	**1,224**

(i) Deferred service income represents income received in advance for service contracts. The deferred service income is released to income over the remaining service period.

(ii) Capital grants represent funding received that is to be released to the statement of profit or loss over the expected useful lives of the assets concerned.

17. Reserves

	Consolidated Group	
	2020 $'000	2019 $'000
Foreign currency translation reserve (i)		
Balance at beginning of financial year	1,504	179
Translation of foreign operations transferred to profit and loss on sale	(2,470)	-
Translation of continuing foreign operations	(1,393)	1,325
Balance at end of financial year	**(2,359)**	**1,504**
Other reserves (ii)		
Balance at beginning and end of financial year	142	142
Transfer to retained earnings	(142)	-
Balance at end of financial year	**-**	**142**
Total Reserves	**(2,359)**	**1,646**

(i) Exchange differences relating to the translation from USA Dollars, Japanese YEN and the Euro, being the functional currencies of the consolidated group's foreign subsidiaries in the USA, Japan, France, Germany and Hong Kong, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

(ii) Other reserves relate to the closing balance transferred from non-controlling interests of subsidiaries that are not 100% owned by the Group.

18. Accumulated Profits / Losses

	Consolidated Group	
	2020 $'000	2019 $'000
Balance at the beginning of the financial year	(11,161)	(5,388)
Movement with non-controlling interest	142	-
Net income(loss) attributable to members of the parent entity	35,653	(5,773)
Balance at end of financial year	**24,634**	**(11,161)**

19. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Consolidated Group	
	2020 cents	2019 cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(7.19)	(4.64)
From discontinued operation	32.02	0.62
Total basic earnings per share attributable to the ordinary equity holders of the company	24.83	(4.02)
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(7.19)	(4.64)
From discontinued operation	32.02	0.62
Total diluted earnings per share attributable to the ordinary equity holders of the company	24.83	(4.02)

Basic earnings per share

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

	Consolidated Group	
	2020 $'000	2019 $'000
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	(10,327)	(6,661)
From discontinued operation	45,980	888
Net Profit / (loss)	35,653	(5,773)
	Consolidated Group	
	2020 No.	2019 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	143,601,138	143,601,138
Weighted average number of ordinary shares for the purposes of diluted earnings per share	143,601,138	143,601,138

20. Dividends

	2020		2019	
	Cents per share	Total $'000	Cents per share	Total $'000
Final dividend – franked to 30%	Nil	Nil	Nil	Nil

	Consolidated Group	
	2020 $'000	2019 $'000
Adjusted franking account balance	3,797	3,797

21. Share-based payments

The establishment of the Ellex Employee Incentive Plan was approved by shareholders at the 2018 annual general meeting. The Employee Incentive Plan is designed to provide long-term incentives for employees to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options are granted under the plan for no consideration and carry no voting or dividend rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the closing share price at 1 July 2019 as traded on the Australian Stock Exchange.

Set out below is a summary of the options granted under the plan:

	Consolidated Group 30 June 2020	
	Average exercise price per share option	Number of options
Balance as at 1 July 2019	-	-
Options granted during year ended 30 June 2020	0.55	872,729
Options exercised during year ended 30 June 2020	-	-
Options forfeited during year ended 30 June 2020	0.55	(509,091)
Options cancelled during year ended 30 June 2020	0.55	(363,638)
Balance as at 30 June 2020	-	-
Vested and exercisable as at 30 June 2020	-	-

No options were on issue for the year ended 30 June 2019. There were no options issued during the prior corresponding period.

The 363,638 share options were cancelled on 29 June 2020.

Fair Value of Options Granted

The assessed fair value at grant date of options granted during the period ended 30 June 2020 was $0.2293. The fair value at grant date is determined using Black-Scholes Model. The model inputs for options granted during the period ended 30 June 2020 included:

(a) Options are granted for no consideration and vest over a four-year period. Vested options are exercisable for a period of ten years after vesting.
(b) Exercise price: $0.55
(c) Grant date: 1 October 2019
(d) Expiry date: 1 October 2029
(e) Share price at grant date: $0.55
(f) Expected price volatility of the company's shares: 54.92%
(g) Risk-free rate: 1.36%

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense due to options cancelled under employee option plan $83,364k (2019: Nil).

22. Issued capital

Ordinary shares are classified as equity.

	Consolidated Group	
	2020 $'000	2019 $'000
143,601,138 fully paid ordinary shares		
(2019: 143,601,138)	**78,311**	**78,311**

	Company 2020		Company 2019	
	No. '000	$'000	No. '000	$'000
Fully paid ordinary shares				
Balance at beginning of financial year	143,601	78,111	143,601	78,311
Balance at end of financial year	**143,601**	**78,111**	**143,601**	**78,311**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

23. Commitments for expenditure

Contractual commitments for the acquisition of property, plant, and equipment as at 30 June 2020 are nil (2019: nil).

24. Subsidiaries

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair values of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expenses as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

As disclosed in note 28, the Group sold its Lasers & Ultrasound business segment during the year. As part of this sale process, the group restructured the entities and operations during the year. The group structure and the subsidiaries were as follows at year end:

Name of Entity	Country of Incorporation	Ownership Interest	
		2020 %	2019 %
Parent Entity			
Nova Eye Medical Lasers Limited (formerly Ellex Medical Lasers Limited) (i) (ii))	Australia	100	100
Subsidiaries			
Ellex Medical Pty Ltd (i) (ii) (iii)	Australia	-	100
Laserex Medical Pty Ltd (ii) (iii)	Australia	-	100
Ellex Inc. (iii)	USA	-	100
Ellex Inc. (iii)	Japan	-	100
Nova Eye R&D Pty Ltd (formerly Ellex R&D Pty Ltd) (i) (ii)	Australia	100	100
Ellex Australia Pty Ltd (i) (ii) (iii)	Australia	-	100
Ellex Services Europe SARL (iii)	France	-	100
Innovative Imaging, Inc.	USA	100	100
Ellex Deutschland GmbH (iii)	Germany	-	100
Ellex Machine Shop Pty Ltd (i) (ii) (iii)	Australia	-	100
Nova Eye Inc (formerly Ellex iScience Inc.)	USA	100	100
Nova Eye Hong Kong Ltd (formerly Ellex Hong Kong Limited)	Hong Kong	100	100
Nova Eye Medical GmbH	Germany	100	-

(i) Nova Eye Medical Lasers Limited (formerly Ellex Medical Lasers Limited) is the head of the Tax Consolidated Group which included Ellex Medical Pty Ltd, Ellex Australia Pty Ltd, Ellex R&D Pty Ltd and Ellex Machine Shop Pty Ltd as of 30 June 2019. As of 30 June 2020, Nova Eye Medical Ltd is the head of the Tax Consolidated Group which includes Nova Eye R&D Pty Ltd.

(ii) These wholly-owned subsidiaries had entered into a deed of cross-guarantee with Nova Eye Medical Lasers Limited (formerly Ellex Medical Lasers Limited) pursuant to Legislative Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report from the year ended 30 June 2009. On 30 June 2020 this was revoked as part of the sale of the Lasers & Ultrasound business.

(iii) These wholly owned subsidiaries were sold to Lumibird SA on 30 June under the Share Purchase Agreement.

25. Segment information

Each of these operating segments is managed separately as each of these sales lines require different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by Chief Operating Decision Makers in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of distribution channels since the diversification of the Group's operations inherently has notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

Communication to the market on products relating to diseases has led the Chief Operating Decision Makers to change the reporting segments in-line with these product ranges. This enables them to focus on relevant strategies to maximise opportunities.

Faster growing (iTrack™)

The fastest growing and emerging markets has been the market for minimally invasive interventional surgery for treating glaucoma

Emerging (2RT®)

2RT has shown potential to be a therapy for patients in the early to intermediate stages of age-related macular degeneration. 2RT is a patented nano-pause laser device that rejuvenates retinal structures compromised by AMD.

Core Ophthalmic Market (Lasers & Ultrasound business)

As disclosed in note 28, during the year the group sold the Lasers & Ultrasound business segment. This was presented as a segment in the 2019 financial statements.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the Chief Decision Maker's with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible asset have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment, these principally include:

- income tax expense;
- deferred and current taxes; and
- cash proceeds from the sale of discontinued operations

(a) Segment performance

	2RT® $'000	iTrack™ $'000	Total $'000
Year ended 30 June 2020			
Revenue from continuing operations			
External sales	1,197	11,572	12,769
Total segment revenue from continuing operations	**1,197**	**11,572**	**12,769**
Segment EBITDA	**259**	**(4,054)**	**(3,795)**
Depreciation and amortisation	(107)	(1,326)	(1,433)
Impairment expense	-	-	-
Segment results	**152**	**(5,380)**	**(5,228)**
Unallocated items: ● Corporate costs, quality and service charges ● Finance costs ● Interest and other revenue ● Other			 (2,087) (63) 52 77
Net profit (loss) before tax from continuing operations			**(7,249)**

	Lasers & Ultrasound business $'000	2RT® $'000	iTrack™ $'000	Total $'000
Year ended 30 June 2019	Discontinued operations	Continuing operations		
Revenue from continuing operations				
External sales	65,522	1,791	14,324	81,637
Total segment revenue from continuing operations	**65,522**	**1,791**	**14,324**	**81,637**
Segment EBITDA	**9,471**	**(558)**	**(5,147)**	**3,766**
Depreciation and amortisation	(2,547)	(62)	(1,402)	(4,011)
Impairment expense	(204)	-	-	(204)
Segment results	**6,720**	**(620)**	**(6,549)**	**(449)**
Unallocated items: ● Corporate costs, quality & service charges ● Finance costs Interest and other revenue				 (5,265) (414) 472
Net profit (loss) before tax from continuing operations				**(5,656)**

(b) Segment assets

	2RT® $'000	iTrack™ $'000	Total $'000
Year ended 30 June 2020			
Segment assets – opening	6,694	14,745	21,439
Segment asset charges for the period:			
Net movement in segment assets	(1,353)	(2,374)	(3,727)
Total segment assets	5,341	12,371	17,712
Reconciliation of segment assets to group assets			
Inter-segment eliminations			-
Unallocated assets			99,030
Total group assets			116,742

	Lasers & Ultrasound business $'000	2RT® $'000	iTrack™ $'000	Total $'000
Year ended 30 June 2019				
Segment assets – opening	76,343	4,958	13,861	95,162
Segment asset charges for the period:				
Net movement in segment assets	(6,549)	1,736	884	(3,929)
Total segment assets	69,794	6,694	14,745	91,233
Reconciliation of segment assets to group assets				
Inter-segment eliminations				-
Unallocated assets:				
Deferred tax assets and current tax assets				8,660
Total group assets				99,893

(c) Segment liabilities

	2RT® $'000	iTrack™ $'000	Total $'000
Year ended 30 June 2020			
Segment liabilities – opening	670	3,138	3,808
Segment liabilities charges for the period:			
Net movement in segment liabilities	869	946	1,815
Total segment liabilities	1,539	4,084	5,623
Reconciliation of segment liabilities to group liabilities			
Unallocated liabilities:			
Current tax payable			8,151
Deferred tax liability			315
Other unallocated liabilities			2,067
Total liabilities			16,156

	Lasers & Ultrasound business $'000	2RT® $'000	iTrack™ $'000	Total $'000
Year ended 30 June 2019				
Segment liabilities	27,111	670	3,138	30,919
Reconciliation of segment liabilities to group liabilities				
Unallocated liabilities:				
Current tax payable				178
Total liabilities				31,097

(d) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	2020 $'000 (Continuing operations)	2019 $'000
Australia	78	9,694
United States of America	8,302	38,275
Europe/Middle East	3,356	15,807
Japan	-	12,140
Asia	959	4,874
South America and other	74	847
Total revenue	12,769	81,637

(e) Non-current assets by geographical region

The location of segment assets is disclosed below by geographical location of the assets. The amounts shown are exclusive of tax assets:

	2020 $'000	2019 $'000
Australia	6,788	27,829
United States of America	7,049	5,121
Europe/Middle East	-	156
Japan	-	394
Asia	-	-
Total assets	13,837	33,500

26. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 24 to the financial statements.

(b) Transactions between Nova Eye Medical Limited and its related parties

As part of the sale of Lasers & Ultrasound business segment the group was restructured during the year. As disclosed in note 24, the continuing entities in the group are:

i. Nova Eye Medical Limited (formerly Ellex Medical Lasers Limited) (the parent entity)
ii. Nova Eye R&D Pty Ltd (formerly Ellex R&D Pty Ltd)
iii. Nova Eye Hong Kong Limited (formerly Ellex Hong Kong Pty Ltd)
iv. Nova Eye Inc (formerly Ellex iScience Inc)
v. Innovative Imagery Inc (dormant)
vi. Nova Eye Medical GmbH (newly incorporated)

The following balances arising from transactions between the Company and its other related parties are outstanding at reporting date:

- Loans totalling $44,716,464 (2019: $46,887,588) are receivable from subsidiaries which have been eliminated on consolidation.

In December 2019 a new company, Ellex Adele SPV Pty Ltd was incorporated as a 100% owned subsidiary of Ellex Medical Lasers Limited (since renamed Nova Eye Medical Limited). On 24 December 2019 Ellex Medical Lasers Limited entered into the Share Sale and Purchase Agreement (SPA) for 100% of the shares in Adele Ellex SPV Pty Ltd to Lumibird SA.

A condition precedent to completion of the SPA was the completion of the Ellex Group internal restructure,

The purpose of the restructure was to:

- separate out the 2RT and iTrack (Ellex iScience Inc) businesses and associated entities/assets/employees to be retained by Nova Eye Medical Limited (formerly Ellex Medical Lasers Limited) (**Stage 1**); and
- move the entities being discontinued so that they became subsidiaries of Adele Ellex SPV Pty Ltd for inclusion in the sale (**Stage 2**).

The restructure required the execution of a number of agreements between entities within the Group. The profit on sale of the Lasers & Ultrasound business was calculated after taking into account the net effect of the Restructure. The restructure was a common control transaction and did not affect the consolidated financial statements of the Group for the year.

During the financial year ended 30 June 2020, the following transactions occurred between the Group and its other related parties:

- Consulting fees of $78,500 (2019: $92,957) were incurred with XMN Inc, a Director related entity of Mr Southard.
- Amounts payable to (related to remuneration paid in arrears):

Name	2020 $	2019 $
V Previn	20,588	20,228
A Spudich	16,425	14,517
G Canala	-	17,338
M Southard	18,124	10,626
M Mangano	18,124	14,888
R Coupe	16,425	17,338

- All loans payable to related parties are unsecured.

(c) Key management personnel compensation

The aggregate compensation of the key management personnel of the consolidated group is set out below:

	Consolidated Group	
	2020 $	2019 $
Short term employee benefits	863,171	913,989
Post-employment benefits	73,230	62,886
Share based payments	-	-
Other long-term benefits	2,381	34,941
Termination benefits	80,000	75,000
	1,018,782	1,086,816

Details of key management personnel compensation are disclosed in Directors' Report.

27. Cash flow information

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position.

	Consolidated Group	
	2020 $'000	2019 $'000
Cash and cash equivalents	95,649	15,372
Bank overdraft	-	(189)
	95,649	15,183

(b) Financing facilities

	Consolidated Group	
	2020 $'000	2019 $'000
Equipment finance and finance advance (insurance premium)		
amount used	-	328
amount unused	-	-
	-	**328**
ANZ finance facility		
amount used	-	8,863
amount unused	-	1,137
	-	**10,000**
Mortgage for building		
amount used	-	5,723
amount unused	-	-
	-	**5,723**
Other facilities		
amount used	-	167
amount unused	-	137
	-	**304**

(c) Reconciliation of Profit/(loss) for the year to net cash flows from operating activities

	Consolidated Group	
	2020 $'000	2019 $'000
Profit / (Loss) for year	35,653	(5,773)
Depreciation and amortisation of non-current assets	3,465	4,011
Impairment expense	-	204
Loss on disposal of property, plant and equipment	-	56
Release of grant income	(719)	(152)
Gain on sale of subsidiaries	(55,808)	-
Gain / loss of sale of fixed assets	21	-
Tax losses written off	4,593	-
	(12,795)	**(1,654)**
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Current and non-current receivables	14,393	(829)
Decrease/(increase) in tax balances	12,665	287
Current and non-current inventories	3,778	(3,471)
Other assets	(2,405)	216
Current and non-current payables	(10,962)	1,076
Other current and non-current liabilities	726	168
	18,195	**(2,553)**
Net cash from operating activities	**5,400**	**(4,207)**

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Consolidated Group	
	2020 $'000	2019 $'000
Cash and cash equivalents	95,649	15,372
Borrowings- repayable within 12 months (including overdraft)	(1,909)	(15,039)
Borrowings- repayable after 12 months	(1,433)	(42)
Net debt	**92,307**	**291**

	Cash/bank overdraft $'000	Leases due within 12 months $'000	Leases due after 12 months $'000	Borrowings due within 12 months $'000	Borrowings due after 12 months $'000	Total $'000
Net debt as a 1 July 2018	**23,067**	**(118)**	**(179)**	**(8,979)**	**(5,723)**	**8,068**
Cash flows (net)	(7,618)	(7)	137	(212)	-	(7,700)
Bank overdraft usage	(189)	-	-	189	-	-
Foreign exchange adjustments	(77)	-	-	-	-	(77)
Transfer in current/ non-current	-	-	-	(5,723)	5,723	-
Net debt as at 30 June 2019	**15,183**	**(125)**	**(42)**	**(14,725)**	**-**	**291**
Cash flows (net)	80,466	(230)	(1,391)	13,171	-	92,016
Bank overdraft usage	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-	-
Transfer in current/ non-current	-	-	-	-	-	-
Net debt as at 30 June 2020	**95,649**	**(355)**	**(1,433)**	**(1,554)**	**-**	**92,307**

28. Sale of Lasers & Ultrasound business – Discontinued Operations

Description

On 24 December 2019, Nova Eye Medical Limited, then named Ellex Medical Lasers Limited announced a binding agreement for the sale of the Ellex Lasers & Ultrasound business. The sale of the business was completed on 30 June 2020.

Financial Performance and cash flow information

The financial information below reflects the discontinued operations for the period ending 30 June 2020 and the prior comparative period.

(a) Total comprehensive income/(loss) from discontinued operations

	Consolidated Group	
	2020 $'000	2019 $'000
Revenue	67,453	65,498
Other income	1,771	303
Foreign exchange gain	437	762
Changes in inventories of finished goods and work in progress	(15,530)	40
Raw materials and consumables used	(15,452)	(27,904)
Employee benefits expenses	(20,158)	(19,877)
Depreciation and amortisation expense	(2,026)	(2,980)
Facility and property expenses	(1,096)	(1,745)
Legal fees	(818)	(11)
Impairment expense	-	(195)
Advertising and marketing	(1,437)	(1,421)
Congress expenses	(376)	(1,952)
Finance costs	(314)	(413)
Product development expenses	(2,045)	(1,683)
Travel expenses	(1,720)	(2,246)
Consulting fees	(825)	(739)
Other expenses	(3,173)	(3,130)
Profit / (Loss) before income tax from discontinued operations	**4,691**	**2,307**
Income tax (expense)/ benefit	(1,355)	(1,419)
Profit / (Loss) for the year from discontinued business	3,336	**888**
Gain on sale of Lasers & Ultrasound business (refer below)	**42,644**	**-**
Profit from discontinued operations	**45,980**	**888**
Other comprehensive income / (loss) from discontinued operations	(2,470)	644
Total comprehensive income / (loss) from discontinued operations	**43,510**	**1,532**

(b) Net cash inflow/ (outflow) from discontinued operations

	2020 $'000
Net cash inflow/ (outflow) from operating activities	10,581
Net cash inflow/ (outflow) from investing activities	(9,199)
Net cash inflow/ (outflow) from financing activities	(4,785)
Net cash inflow/ (outflow) from discontinued operations	**(3,403)**

(c) Details of the sale of the subsidiary

	2020 $'000
Consideration received or receivable:	
Cash	97,347
Assumption of bank borrowings (i)	4,520
Total disposal consideration	**101,867**
Carrying amount of net assets sold	(43,536)
Costs of Transaction	(2,523)
Gain on sale before income tax and reclassification of foreign currency translation reserve	**55,808**
Income tax expense on gain	(13,144)
Gain on sale after income tax	**42,664**

i. In accordance with the sale and purchase agreement, the buyer assumed company's bank borrowings of $4,520,287 relating to the Lasers & Ultrasound business and directly paid the Company's bankers on the day of the settlement.
ii. The cash consideration also includes $2,000k of Escrow funds which will be released on the fulfilment of certain obligations by the seller as stipulated in the sale and purchase agreement. The Escrow period is 12 months from the date of the settlement of the transaction.

The carrying amounts of assets and liabilities as at 30 June 2020 were:

	2020 $'000
Assets	
Cash & cash equivalents	7,476
Trade & other receivables	14,779
Inventories	19,466
Other current assets	603
Property, plant and equipment	11,100
Right to use asset	1,678
Intangible assets	916
Capitalised development expenditure	8,369
Deferred tax asset	399
Total assets disposed	**64,786**
Liabilities	
Trade and other payables	(10,341)
Borrowings & lease obligations	(2,814)
Provisions	(3,755)
Deferred income	(4,340)
Total liabilities	**(21,250)**
Net assets disposed	**43,536**

29. Financial instruments

The consolidated group enters into derivative financial instruments from time to time to manage its exposure to foreign exchange rate risk.

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

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

	Note	Consolidated Group	
		2020 $'000	2019 $'000
Financial assets			
Cash and cash equivalent	27(a)	95,649	15,372
Trade and Other receivables	6	3,876	15,785
Total financial assets		99,525	31,157
Financial liabilities			
Trade and other payables	13	3,826	7,468
Borrowings	14	3,342	9,358
Mortgage	14	-	5,723
Total financial liabilities		7,168	22,549

Capital risk management

The consolidated group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance.

The capital structure of the consolidated group consists of cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 17,18 and 22 respectively. The consolidated group operates globally, primarily through subsidiary companies established in the markets in which the consolidated group trades. None of the subsidiary companies are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand manufacturing facilities and distribution assets. The consolidated group's policy is to manage capital centrally.

(a) Financial risk management objectives

The requirements are monitored on a continual basis and form part of the regular management and Board reporting.

The CFO with the Chair of the Audit & Risk Committee and CEO reviews the treasury function of the consolidated group to provide services to the business, coordinate access to domestic and international financial markets, and manage the financial risks relating to the operations of the consolidated group. These risks include market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(b) Categories of financial instruments

The categories of financial instruments are identified in the Statement of Financial Position and notes thereto.

(c) Loans and receivables designated as a 'fair value through profit or loss'

There were no loans and receivables designated as at 'fair value through profit or loss' in 2020 or 2019.

(d) Market risk

The consolidated group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. It is the policy of the Group to naturally hedge foreign currency and interest rate exposure. The hedging policy allows the Group to enter into approved hedging instruments as required.

(e) Foreign currency risk management

The consolidated group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

From 30 June 2020 the ongoing business has revenue and costs primarily denominated in USD and the business is currently loss making. The business is therefore exposed to movement in the AUD / USD exchange rate.

The carrying amount of the consolidated group's foreign currency denominated monetary assets and monetary liabilities at reporting date is as follows:

	Liabilities		Assets	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
US dollars	1,554	4,517	787	7,173
Japanese Yen	-	1,759	-	6,835
Euro	-	1,243	-	4,694

(f) Foreign currency sensitivity analysis

After the 30 June 2020 transaction selling the Lasers & Ultrasound business the consolidated group is primarily exposed to movements in the USD rate.

The following table details the consolidated group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currency. 10% represents management's assessment of the possible change in foreign currency rates within a reasonable period of time. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in the currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian dollar weakens against the USD. For a strengthening of the Australian dollar against the USD there would be an equal and opposite impact on the profit and other equity.

	Euro Impact Consolidated		USD Impact Consolidated		Japanese Yen Impact Consolidated	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Profit or loss	-	316	156	241	-	413

The exposures are mainly attributable to foreign currency denominated receivables, payables, cash and loans.

(g) Interest rate risk management

After 30 June 2020 and following the sale of the Lasers & Ultrasound business the consolidated group has no bank borrowings and is not exposed to interest rate risk on borrowings.

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated group. The consolidated group has adopted a global policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated groups exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually. The consolidated group measures credit risk on a fair value basis.

Trade accounts receivable consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit reference check is conducted for the debtor. The COVID-19 pandemic has resulted in more management attention and diligence with respect to providing of credit terms for customers and collecting accounts receivable.

The consolidated group and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated group’s maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(i) Fair value of financial statements

The carrying amount of all financial assets and liabilities approximate their fair value.

(j) Liquidity risk management

The consolidated group currently has sufficient cash at bank to meet its operational objectives within a reasonable time horizon. The COVID-19 pandemic caused a downturn in business during April to June 2020 as ophthalmic surgery centres were closed or partially closed. This in turn impacts the level of cash reserves.

(k) Maturity profile of financial instruments

The following tables detail the consolidated group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the expected cash flows of financial liabilities based on the earliest date on which the consolidated group can be required to pay. The tables include both interest and principal cash flows.

		Interest rate maturity				
2020	Less than 1 month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	5+ years $'000	Total $'000
Financial liabilities						
Finance lease	29	59	267	1,561	-	1,916
Trade payables	3,826	-	-	-	-	3,826
Other payables	1,909	-	-	-	-	1,909
Payable to Directors	90	-	-	-	-	90
	5,854	**59**	**267**	**1,561**	**-**	**7,741**

		Interest rate maturity				
2019	Less than 1 month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	5+ years $'000	Total $'000
Financial liabilities						
Finance lease	10	21	94	43	-	168
Finance advance	39	78	210	-	-	327
Trade payables	4,120	-	-	-	-	4,120
Other payables	3,253	-	-	-	-	3,253
Payable to Directors	95	-	-	-	-	95
Debtor finance facility	6,174	-	-	-	-	6,174
Mortgage for building	200	-	267	5,256	-	5,723
ANZ cash advance	-	-	-	2,500	-	2,500
Overdraft	189	-	-	-	-	189
	14,080	**99**	**571**	**7,799**	**-**	**22,549**

30. Parent entity information

The financial information for the parent entity, Nova Eye Medical Limited, for continued operations has been prepared on the same basis as the consolidated financial statements except for that outlined below.

	Parent Entity	
	2020 $'000	2019 $'000
Statement of Financial Position		
Total current assets	140,710	11,282
Total non-current assets	1,447	28,405
Total assets	**142,157**	**39,687**
Total current liabilities	(11,471)	(28,855)
Total non-current liabilities	(50)	-
Total liabilities	**(11,521)**	**(28,855)**
Share capital	78,311	78,311
Reserves	(10,966)	(1,805)
Accumulated profit / (losses)	63,291	(7,964)
Total Equity	**130,636**	**68,542**
Statement of Profit or Loss and Other Comprehensive Income		
(Loss)/profit for the year	73,893	(2,089)
Total comprehensive income	**63,291**	**(2,089)**

Except for those noted below, the accounting policies for the Nova Eye Medical Limited entity are consistent with those for the Nova Eye Group:

- Under tax funding arrangements, amounts receivable (or payable) recognised by the Nova Eye Medical Group (formerly Ellex Group) for the current tax payable (or receivable) assumed of our wholly owned entities are booked as current assets or liabilities.
- Investments in controlled entities, included within non-current assets above, are recorded at cost less impairment of the investment value. Refer to note 24 for details on investments in controlled entities.

(a) Property, plant and equipment commitments

Contractual commitments for the acquisition of property, plant or equipment as at 30 June 2020 are Nil (2019: Nil).

(b) Contingent liabilities and guarantees

There is no bank guarantee held with Australian and New Zealand Banking Group Limited (2019: $360 thousand).

31. Remuneration of auditors

	Consolidated Group	
	2020 $	2019 $
Audit or review of the financial report		
Grant Thornton France	8,000	8,000
PricewaterhouseCoopers	174,208	117,700
	182,208	**125,700**

The auditors of Nova Eye Medical Limited are PricewaterhouseCoopers.

The following non-audit services were provided during the year:

- Other: $9,500 (2019: $4,000).

These services do not breach auditor independence.

32. Events after reporting date

(a) On 12 March 2020, the group has entered into an agreement to purchase the business assets of Molteno Ophthalmic Limited, a business headquartered in New Zealand that specialises in Molteno® glaucoma products and paid a deposit of $96,958. The acquisition was completed on 31 July 2020 for a total consideration of $894,006.

(b) On the 29 July 2020 the Group made a return of capital to shareholders of $41.6M and paid a fully franked dividend of $19.4M.

(c) On 1 July 2020 Nova Eye Medical Limited entered into a lease arrangement for an office premises in an inner-city suburb of Adelaide. The lease arrangement was made with a company that is controlled by a Director, Victor Previn. The lease arrangement is on commercial terms (approx. $70k per annum) and was approved by the Board (excluding Mr Previn). The legal lease agreement is in the process of being finalised for execution.

No other matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Group and require disclosure in the financial statements.

Directors' Declaration

In the opinion of the Directors of Nova Eye Medical Limited (formerly Ellex Medical Lasers Limited):

(a) The consolidated financial statements and notes of Nova Eye Medical Limited are in accordance with the Corporations Act 2001, including

i. Giving a true and fair view of its financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that Nova Eye Medical Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.

Note 1 confirms that the consolidated financial statements also comply with the International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

On behalf of the Directors Victor Previn

Chairman

Adelaide, 28 August 2020

Independent auditor's report

To the members of Nova Eye Medical Limited (formerly Ellex Medical Lasers Limited)

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Nova Eye Medical Limited (formerly Ellex Medical Lasers Limited) (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $362,000, which represents approximately 5% of the Group's loss before tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group loss before tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group's operations were mainly based in Australia, the United States, Japan and Europe.
- Our audit work covered the continuing operations in both Australia and the United States given their financial significance to the Group as a whole. We also performed audit procedures in relation to the Group's discontinued operations in Australia, the United States, Japan and Europe.
- All our audit procedures were performed at the head offices in Adelaide.
- We performed further audit procedures at Group level, including procedures over the consolidation of the Group's businesses and the preparation of the financial and remuneration reports.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Key audit matter	*How our audit addressed the key audit matter*
Capitalisation and amortisation of development expenditure *(Refer to note 11)* At 30 June 2020, the Group recognised capitalised development expenditure of $7,536,000 in the consolidated statement of financial position. This was a key audit matter due to the size of the capitalised balance and because there is significant judgement required by the Group to assess whether the recognition criteria for the capitalisation of such costs had been met. In addition there is significant judgement involved in determining when the capitalised costs should commence amortisation.	We performed the following procedures, amongst others: • Obtained a detailed listing of capitalised development expenditure and checked this listing reconciled to the financial statements. • For a sample of development expenditure capitalised during the year, we tested the Group's assessment of whether the Australian Accounting Standards criteria for recognising such costs had been met by: - Obtaining an understanding of the nature of the capitalised costs through discussions with project managers and reading related project documents. - Vouching costs to relevant documentation including third party invoices and payments. - Vouching employee costs capitalised to relevant payroll records for the projects and checking the appropriateness of the amounts included in the relevant projects by assessing if employee effort was directed to the relevant projects. - Assessing if the recognition criteria for the capitalised development expenditure are met based on the underlying documentation for the sample tested. • Through inquiry with project managers and corroboration with information obtained from other testing, we obtained an understanding of incomplete projects at balance date to check that it was appropriate for the associated capitalised development expenditure to not have commenced amortisation.

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment of non-current assets *(Refer to note 1(ix))* The consolidated statement of financial position includes property, plant and equipment of $1,178,000, intangible assets of $3,341,000 and capitalised development expenditure of $7,536,000 as at 30 June 2020. Following the current years losses from continuing operations, the Group prepared a value in use model and obtained a fair market valuation to determine if the carrying value of the non-current assets was recoverable as at 30 June 2020. Given the significance of the carrying value of the related assets to the financial position of the Group, and the judgements and assumptions required in value in use and market value models (including growth rates, discount rates and replacement expenditure), the recoverability of these assets was a key audit matter.	We performed the following procedures, amongst others: • Assessed whether the allocation of the Group's non-current assets into cash generating units (CGUs) was consistent with our knowledge of the Group's ongoing operations and internal Group reporting. • Performed sensitivity analyses around the key assumptions used in the value in use model and the fair market valuation. • Tested the mathematical accuracy, on a sample basis, of both the value in use model and fair market valuation calculations. • Evaluated the adequacy of the disclosures made in note 1 (ix), including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards. Additionally, the following procedures were performed for the value in use model: • Assessed whether the CGUs included directly attributable cash flows and, where applicable, a reasonable allocation of corporate assets and overheads. • Evaluated the key assumptions in the model including sales and expenditure forecasts, growth and inflation rates and the discount rates by comparing them with historical results, and where applicable to economic and industry forecasts. • Tested that the forecast cash flows used in the impairment model were consistent with the most up-to-date budgets and business plans formally approved by the Board of Directors. • Evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past three years. Additionally, the following procedures were performed for the fair market valuation: • Considered the competence, qualifications, experience and objectivity of the valuer who prepared the fair market valuation. • Evaluated whether the methodology used to determine the fair market value was in in accordance with the requirements of Australian Accounting Standards. • Assessed the reasonability of the key assumptions including discount rates, profit margin and replacement expenditure included in the valuation and tested their accuracy to external market information, where applicable.

Key audit matter	***How our audit addressed the key audit matter***
Discontinued operations *(Refer to notes 28)* The Laser and Ultrasound business was sold on 30 June 2020 and has been disclosed as a discontinued operation. The Group has recognised a gain on sale of $42,644,000 as the consideration received was in excess of the carrying value of the business, less costs to sell. The accounting for the sale of the Laser and Ultrasound business was a key audit matter because the transaction is complex, non-routine and involves judgements by the Group.	We performed the following procedures amongst others, • Read the terms of the sale and purchase agreement. • Agreed the proceeds on sale to the bank statement and completion documents. • Assessed the carrying value of the assets and liabilities sold. • Recalculated the gain on sale by comparing the carrying value of the assets and liabilities sold to the consideration received less the costs to sell. • With assistance from PwC tax specialists, considered the Group assessment of the taxation impact of the sale. • Evaluated the presentation of the results of the Laser and Ultrasound business as discontinued operations, the allocated income, expenses and corporate cost allocations • Evaluated the adequacy of the disclosures made in the financial statements in accordance with the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: :https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 17 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Nova Eye Medical Limited (formerly Ellex Medical Lasers Limited) for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

M. T. Lojszczyk
Partner

Adelaide
28 August 2020

Number of holders of equity securities

Ordinary share capital

143,601,138 fully paid ordinary shares are held by 4,073 individual shareholders.

All issued shares carry one vote per share.

Distribution of holders of equity securities

Range	Total Holders
1 - 1,000	1,305
1,001 - 5,000	1,083
5,001 - 10,000	558
10,001 - 100,000	981
100,001 Over	146
	4,073
Holding less than a marketable parcel	1,492

Substantial shareholders

	Fully Paid	
Ordinary Shareholders	Number	Percentage
NATIONAL NOMINEES LIMITED	21,447,403	14.94
J P MORGAN NOMINEES AUSTRALIA	14,198,453	9.89
SEDICO PTY LTD	8,466,980	5.90

Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully Paid	
	Number	Percentage
NATIONAL NOMINEES LIMITED	21,447,403	14.94
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,198,453	9.89
SEDICO PTY LTD	8,466,980	5.90
BOND STREET CUSTODIANS LIMITED <SALTER - D64848 A/C>	6,081,275	4.23
RUMINATOR PTY LTD	5,062,008	3.53
PINE STREET PTY LTD <PINE STREET SUPER FUND A/C>	3,400,000	2.37
CANALA SUPER FUND PTY LTD <GIUSEPPE CANALA S/F A/C>	3,258,173	2.27
CITICORP NOMINEES PTY LIMITED	2,696,375	1.88
PINE STREET PTY LTD <PINE STREET A/C>	1,900,000	1.32
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,297,617	0.90
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,255,363	0.87
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,129,066	0.79
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,052,248	0.73
PINE STREET PTY LTD <PINE STREET A/C>	1,000,000	0.70
FIVE TALENTS LIMITED	963,607	0.67
MR DOUGLAS ROBERT BUCHANAN + MRS ROBYN LORRAINE BUCHANAN <BUCHANAN SUPER FUND A/C>	925,000	0.64
MR RAHMON CHARLES COUPE + MRS JULIA DEBORAH COUPE <SUPER FUND A/C>	874,400	0.61
LONGRIDGE PARTNERS PTY LTD	842,725	0.59
MR DONALD GERHARD COLE	825,800	0.58
DR PETER ANTHONY STEWART	780,000	0.54

Corporate Directory

Company & Headquarters

Nova Eye Medical Limited

107 Rundle Street

Kent Town SA 5067

Australia

Directors

Mr V Previn	Chairman
Mr A Sundich	Non-executive Director
Mr R Coupe	Independent Director
Mr M Southard	Non-executive Director
Mr M Mangano	Independent Director
Mr G Canala (resigned 27 November 2019)	Non-executive Director

Company Secretary

Simon Gray

Independent Auditor

PricewatershouseCoopers

70 Franklin Street
ADELAIDE SA 5001
AUSTRALIA

Australian Share Registry

Computershare Investor Services Pty Limited

GPO Box 2975
Melbourne VIC 3001
AUSTRALIA

Telephone
(Australia) 1300 555 159
(Overseas) +61 3 9415 4062
Mon-Fri 8:30am-7pm AEST

Investor Relations

Dr Tom Duthy
tduthy@nova-eye.com
Phone: +61 402 493 727

Corporate Website

https://www.nova-eye.com

Corporate Governance Statement

https://nova-eye.com/corporate-governance/