Appendix 4E

Preliminary final report

Name of entity

Nova Eye Medical Limited

ABN or equivalent Company reference	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended
15 007 702 927		✓	**30 June 2022**

Results for announcement to the market

Extracts from this report for announcement to the market.

	Consolidated Group			
	Up/down	**Movement %**		**2022FY $A '000**
Revenues from Continuing Operations	Down	0%	to	13,378
Loss from Continuing Operations Before Interest, Tax, Depreciation and Amortisation	Up	74%	to	(6,371)
Net Loss from Continuing Operations before Tax	Up	57%	to	(8,246)
Net Loss from Continuing Operations after Tax	Up	72%	to	(7,496)
Net profit/ (loss) for the Period Attributable to Members	Up	72%	to	(7,496)

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	13.5 ¢	100%

NTA Backing

	Consolidated Group	
	Current Period	**Previous corresponding period**
Net tangible asset backing per ordinary security	7.9 ¢	14.8 ¢

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)

- [x] 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:..Date: 25 August 2021
(Director)

Print name: Victor Previn

Annual Report: Financial Year Ended 30 June 2022

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 the Board of Directors on 28 June 2022 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 2022. 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 R Coupe	Independent Director
Mr M Southard	Non-executive Director
Mr T Spurling	Managing Director
Mr A Sundich (resigned 24 November 2021)	Non-executive Director

Simon Gray is the Company Secretary of the Company.

Directors

Victor Previn,
Executive Chairman

Victor Previn was appointed a Director on 16 July 2001. Victor is a professional engineer and one of the original founders of the Company. His career spans more than 35 years in both the ophthalmic laser industry and the wider ophthalmic device sector. Mr Previn is also a Director of Havilah Resources Ltd (ASX:HAV) from October 2020. 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 25th August, 2022.

Rahmon Coupe,
Independent Director

Rahmon Coupe was appointed an Independent Director on 15 May 2013. Mr Coupe is Chief Executive Officer and Director of YourAnswer International Pty Limited, a company that develops and markets interactive voice technology solutions for e-commerce and banking. Mr Coupe has more than 30 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, 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. He is currently a member of the Remuneration Committee and the Audit & Risk Committee.

Mr Coupe beneficially holds 914,400 shares as at 25th August, 2022.

Directors' Report

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 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 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 led the initial public offering of Alcon in the early 2000's. Mike has published articles within a variety of Journals as well as contributed specific Chapters for Ophthalmic textbooks.

Mr Southard beneficially holds 20,000 shares as at 25th August, 2022.

Tom Spurling,
Managing Director

Mr Spurling joined Nova Eye on 1 April 2021 as an Executive of the Group and was appointed Managing Director on 31 August 2021. Tom served as the Chief Executive Officer of Ellex Medical Lasers from 2011 to 2019. Tom has close to 30 years of senior executive experience serving in a range of commercial and management roles in Australia and the United States. Tom was a Director of Sparc Technologies Limited (ASX:SPN) and resigned in March 2022. Tom holds a Bachelor of Economics from the University of Adelaide.

Mr Spurling beneficially holds 367,729 shares as at 25th August, 2022.

Alex Sundich,
Non-executive Director (Resigned 24 November 2021)

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. Mr Sundich resigned as a Director on 24th November, 2021.

Company Secretary

Simon Gray was appointed Company Secretary on 24 June 2020. Mr Gray has over 35 years' experience as a chartered accountant including 20 years as a partner with Grant Thornton, a national accounting firm. Mr Gray currently serves 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.

Directors' Report

Principal activities

The principal activities of the Company during the financial period were the design, development, manufacture, marketing, sale and distribution of surgical devices for the treatment of glaucoma, a leading cause of blindness. In addition, the Company is engaged in the commercialisation of its proprietary ophthalmic laser, 2RT®, for the treatment of age-related macular degeneration, also a leading cause of blindness.

For the period ended 30 June 2022, Nova Eye reported total revenues of $13,378k, which was almost entirely related to sales of its glaucoma surgical devices, and an operating loss after tax of $7,496k. This compares with sales of $13,394k and an operating loss after tax of $4,356k in the prior year. At the Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) level, the loss for the year to 30 June 2022 was $6,371k. This compares with an EBITDA-level loss of $3,668k for the year ended 30 June 2021 (the prior period).

Glaucoma Surgical Devices

The Company currently manufactures and sells three glaucoma surgical devices: the iTrack™ and the iTrack™ Advance for patients with mild to moderate glaucoma and the Molteno3® for patients with later stage severe or complex glaucoma.

The iTrack™ and the iTrack™ Advance products are used for the reduction in intraocular pressure (IOP) in adult patients with open-angle glaucoma. The iTrack™ and the iTrack™ Advance enlarge the patient's natural ocular drainage system, improving outflow and lowering IOP. No part of either device is left behind in the eye and the procedure is repeatable.

The Molteno3® glaucoma drainage device is clinically validated for the treatment of severe or complex glaucoma and, unlike the iTrack™ devices, are implanted permanently in a patient's eye.

The Glaucoma Surgical Devices (GSD) segment of the business reported revenues of $13,137k during the year to 30 June 2022 and an EBITDA level loss of $3,092k. This compares with revenues of $13,088k and an EBITDA level profit of $101k in the prior period. Most of the revenues for the GSD segment are generated in the USA & Europe.

German sales during the period were strong, up 24% on the prior period. The positive sales momentum in Germany was underscored by the launch of the Company's new canaloplasty device, iTrack™ Advance. In the USA, sales revenue was down 3% on the prior period. This was a strong rebound in the USA as sales during the 6 months to 31 December 2021 were down 10% compared to the 6 months to 31 December 2020. This positive turnaround is attributable to the return of previous customers after trialling competitor devices, and due to renewed interest in the role of canaloplasty in the glaucoma treatment armamentarium.

Operating costs for the GSD segment for the year to 30 June 2022 were $11,854k. This compares with the operating costs of $8,515k in the prior period. The material increase in operating costs is attributable to the preparatory investments made for the launch of the new iTrack™ Advance. Investments were made in; the preparation and lodgement in July 2022 of a 510(k) submission to the USA Food and Drug Administration (FDA) to facilitate clearance to market iTrack™ Advance in the USA later in 2022, establishment and development of direct sales infrastructure in Germany and extensive iTrack™ Advance surgeon training program in Europe. This increase also included the establishment of clinical studies to expand the clinical evidence base in Europe and other marketing and promotion investments in professional journals and industry meetings to support the product launch. The investments in Europe supported the launch of iTrack™ Advance in Europe during June 2022.

AlphaRET

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.

Directors' Report

The Company's AlphaRET segment is responsible for the commercialisation of the 2RT® ophthalmic laser; a potential treatment to delay progression to late-stage age related macular degeneration for patients who have the disease in its intermediate stage. No material revenues were generated by AlphaRET during the year ended 30 June 2022, the focus being on the planning of a pivotal confirmatory study to collect clinical data that meets the requirements of global regulatory bodies and the profession to support commercialisation. The 2RT® ophthalmic laser has the potential to materially disrupt the current AMD treatment paradigm. During the year ended 30 June 2022 investments were made in the following: the provision of technical data to the FDA following the lodgement of an Investigational Device Exemption (IDE) on 1 July 2021, the development of a pivotal confirmatory study plan based on the feedback received from the FDA on the IDE, the commencement of investigator site selection and discussions with partners for funding the pivotal confirmatory study plan.

Income tax

The loss carry-back provisions applied have resulted in an income tax refundable amount of $1,569k at 30 June 2022. This amount consists of $1,133k due to the carry back loss provision and an under provision of $436k, the result of a tax true-up exercise.

COVID-19

Nearly all of the revenue for the Company relates to sales of glaucoma surgical devices to eye surgeons in the USA and Europe. During the 12 months ended 30 June 2022 there was an improvement in the access to surgical facilities compared with the prior period, but some restrictions continued, that limited sales. The major impact of COVID-19 on the business during the year to 30 June 2022 related to inability to meet potential new customers at tradeshows, as many events were cancelled or held virtually, and staff illness and supply chain problems slowing down the execution of commercial activities.

Significant changes to the state of affairs

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

Events since the end of the financial year

There are no significant events effecting the Company since the end of the financial year.

Financial position

As at 30 June 2022, the net assets of the consolidated Group decreased by $4,938k to $30,397k.

Environment regulations and climate change

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.

The directors recognise the existence and importance of climate change. The Company has management systems in place within its risk management framework which ensures decision making takes into account impact of such decisions on climate change and the environment.

Future developments

The Group will continue to focus on the further development of its business being the development, manufacture, service, and distribution of ophthalmic devices 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

There were no dividends paid in the period ended 30 June 2022.

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

Share options and performance rights

At the date of this report the following shares under option were on issue as a result of the Company's employee options scheme. There were 700,000 options issued to Directors or key management personnel.

	Performance Rights	Options
Opening Balance 1 July 2020	**85,000**	**-**
Issued during year	170,000	897,500
Exercised during year	(85,000)	-
Forfeited during year	-	-
Cancelled during year	-	-
Closing Balance 30 June 2021	**85,000**	**897,500**
Opening Balance 1 July 2021	**85,000**	**897,500**
Issued during year	471,000(i)	1,980,000*
Exercised during year	(157,000)	-
Forfeited during year	(38,000)	(150,000)
Cancelled during year	**-**	**-**
Closing Balance 30 June 2022	**361,000**	**2,727,500**

* Employee options issued during the period were as follows:

- 880,000 employee options issued on August 10, 2021 to employees of the Company with the following terms: Exercise price of $0.50 with an expiry period of 3 years. The fair value of the options, $0.03 each, was estimated using the Black-Scholes model.
- 700,000 options issued to Managing Director, Tom Spurling September 17, 2021 with the following terms: Exercise price of $0.53 with an expiry period of 3 years. The fair value of the options, $0.13 each, was estimated using the Black-Scholes model. The issue of these options was approved at the Company's Annual General Meeting held November 24, 2021.
- 400,000 options issued to consultant IRX Enterprises (IRX Advisors Pty Ltd) January 31, 2022 with the following terms: Exercise price of $0.48 with an expiry period of 3 years. The fair value of the options, $0.07 each, was estimated using the Black-Scholes model.

(i) Performance rights issued to employees during the period were as follows:

- 393,000 Performance Rights issued on August 6, 2021. Fair value $0.34
- 21,000 Performance Rights issued on November 17, 2021. Fair value $0.38
- 36,000 Performance Rights issued on November 24, 2021. Fair value $0.38
- 21,000 Performance Rights issued on January 3, 2022. Fair value $0.29
- 38,000 Performance Rights forfeited during the period due to termination of employment agreements

Directors' Report

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.

Diversity

The Board monitors the diversity of its workforce. Nova Eye Medical Limited is not required to complete Workplace Gender Equality Act 2012 reporting.

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 & Nominations Committee	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
V Previn	7	7	3	3	1	1
R Coupe	7	7	3	3	1	1
M Southard	7	7	1	1	-	-
T Spurling	7	7	3	3	1	1
A Sundich*	3	3	1	1	-	-

* Mr A Sundich resigned as a director 24 November 2021.

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 2022 in accordance with the *Corporations Act 2001* and the Corporations Regulations 2001. The Company has determined that KMP are the Board, the Executive Chair and the Managing Director/CEO who have decision making responsibilities for the Company. 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
- Rahmon Coupe – Independent Director
- Mike Southard – Non-executive Director
- Tom Spurling – Managing Director
- Alex Sundich – Non-executive Director (resigned 24 November, 2021)

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.

All Non-executive and Independent Directors receive a Director's fee of $30,000 per annum. The Non-executive Chairman also receives a $10,000 Chairman's fee per annum. Director's fees cover all main Board functions but exclude membership of the Audit & Risk Committee and Remuneration & Nominations Committee. 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 & Nominations 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 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 Report - Audited

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. Long-term incentives comprise the grant of options with an exercise period of 36 months after vesting and an exercise price 30-50% above the market price at the date of grant. Such grants are completed at the discretion of the Board.

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 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 2022:

Performance Summary	30 June 2022 $'000	30 June 2021 $'000	30 June 2020 $'000	30 June 2019 $'000	30 June 2018 $'000
Revenue (i) (ii)	13,378	13,394	12,769	16,140	79,250
EBITDA (ii)	(6,371)	(3,668)	(5,748)	(6,922)	(1,055)
EBT (ii)	(8,246)	(5,251)	(7,249)	(7,963)	(5,157)
Net (loss) / profit after tax (iii)	(7,496)	(4,356)	35,653	(5,773)	(5,074)

(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 30 June 2019 and 30 June 2020, the Lasers & Ultrasound business was reclassified from continuing to discontinued operations and was sold on 30 June 2020

Remuneration Report - Audited

Historical Share Price	30 June 2022 $	30 June 2021 $	30 June 2020 $	30 June 2019 $	30 June 2018 $
Share price at start of year	0.320	0.680	0.530	0.610	1.065
Share price at end of year	0.190	0.320	0.680	0.530	0.610
Interim dividend	-	-	-	-	-
Final dividend	-	61,030k	-	-	-
Attributable to ordinary equity shareholders of the Company					
Basic earnings per share	(5.18)cps	(3.03)cps	24.83cps	(4.02)cps	(3.78)cps
Diluted earnings per share	(5.18)cps	(3.03)cps	24.83cps	(4.02)cps	(3.78)cps
From continuing operations					
Basic earnings per share	(5.18)cps	(3.03)cps	(7.19)cps	(4.64)cps	(3.78)cps
Diluted earnings per share	(5.18)cps	(3.03)cps	(7.19)cps	(4.64)cps	(3.78)cps

Key terms of employment contracts

Remuneration and other terms of employment of the Executive Director 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.

Tom Spurling – Managing Director

- Salary package of $200,000 exclusive of superannuation to be reviewed annually. This is inclusive of all directors' fees.
- 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.
- LTI is based on the issue of 700,000 options in September 2021.
- STI is based on the overall business performance and the discretion of the Board Remuneration Committee

Victor Previn – Executive Chairman

- Salary package of $200,000 exclusive of superannuation to be reviewed annually. This is inclusive of all directors' fees.
- 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 Executive Chairman.

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

Remuneration Report - Audited

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.

d) Long term incentive (LTI) - Long-term incentives are linked to the improvement in the market value of the Company.

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 2022FY

	Short-term employee benefits						Share-based payment			Other	
2022	**Salary & fees $**	**Director & committee Fees $**	**STI $**	**Annual Leave Entitlements $**	**Non-monetary benefits $**	**Superannuation $**	**Shares $**	**Options $**	**Rights $**	**Other long-term benefits $**	**Total $**
Directors											
V Previn*	191,666	-	-	8,462	-	20,013	-	-	-	-	220,141
R Coupe	-	40,000	-		-	4,000	-	-	-	-	44,000
M Southard	-	41,697	-		-	-	-	-	-	-	41,697
T Spurling*	190,553	-	-	9,063	-	19,962	-	91,000	-	-	310,578
A Sundich	-	16,667	-		-	1,667	-	-	-	-	18,334
Total	**382,219**	**98,364**	**-**	**17,525**	**-**	**45,642**	**-**	**91,000**	**-**	**-**	**634,750**

* Remuneration is displayed on a cash basis. Due to the timing of payroll payments in FY21 to FY22 the amount of salary, fees and also superannuation may vary from amounts per employment agreements.

iii) Remuneration of Directors and Executives 2021FY

	Short-term employee benefits						Share-based payment			Other	
2021	**Salary & fees $**	**Director & committee Fees $**	**STI $**	**Annual Leave Entitlements $**	**Non-monetary benefits $**	**Superannuation $**	**Shares $**	**Options $**	**Rights $**	**Other long-term benefits $**	**Total $**
Directors											
V Previn*	219,167	-	-	-	-	22,246	-	-	-	-	241,413
A Sundich	-	57,917	-	-	-	5,502	-	-	-	-	63,419
R Coupe	-	57,917	-	-	-	5,502	-	-	-	-	63,419
M Southard**	-	62,610	-	-	-	-	-	-	-	-	62,610
M Mangano	-	29,645	-	-	-	-	-	-	-	-	29,645
Executives											
T Spurling*	65,865	-	-	-	-	6,020	-	-	-	-	71,885
Total	**285,032**	**208,089**	**-**	**-**	**-**	**39,270**	**-**	**-**	**-**	**-**	**532,391**

* Remuneration is displayed on a cash basis. Due to the timing of payroll payments in FY21 to FY22 the amount of salary, fees and also superannuation may vary from amounts per employment agreements.

**Salary and fees relate to consultancy services.

Remuneration Report - Audited

Bonuses granted as compensation – 2021 and 2022

			Performance based remuneration					
	Fixed remuneration		Bonus		LTI		At Risk	
Name	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
V Previn	100	100	-	-	-	-	-	-
R Coupe	100	100	-	-	-	-	-	-
M Southard	100	100	-	-	-	-	-	-
M Mangano	100	100	-	-	-	-	-	-
T Spurling	71	100	-	-	29	-	-	-
A Sundich	100	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*	9,316,031	-	-	9,316,031
R Coupe	914,400	-	-	914,400
M Southard	20,000	-	-	20,000
T Spurling	367,729	-	-	367,729
A Sundich**	6,300,000	-	(6,300,00)	-

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

**Mr Sundich resigned as a director on 24 November 2021

Value of options issued to Directors and Executives

There were 700,000 options granted in relation to the Managing Director during the year on behalf of the Company. These grant of these options was approved at the Company's Annual General Meeting held November 24, 2021.

(a) Options are granted for no consideration and vest at specified dates, commencing September 17, 2021. Vested options are exercisable for a period of 36 months after vesting.
(b) Exercise price: $0.53
(c) Grant date: 17 September 2021
(d) Expiry date: 36 months from the vesting date
(e) Share price at grant date: $0.41
(f) Expected price volatility of the Company's shares: 54%
(g) Risk-free rate: 3%

Voting of shareholders at annual general meeting – 24 November, 2021

Nova Eye Medical Limited received more than 97% of "yes" votes on its Adoption of Remuneration Report Motion for the 2022 financial year.

Remuneration Report - Audited

Other transactions with KMP

During the financial year ended 30 June 2022, the following transaction occurred between the Group and its Key Management Personnel:

- On 1 July 2020 the Company entered into a lease agreement for a property at 107 Rundle St, Kent Town, South Australia with a company controlled by Mr Victor Previn. The terms of the lease are in line with similar properties in the area. Total payments made pursuant to the lease agreement during the year ended 30 June 2022 were $84,150 including GST (2021: $82,500).
- In February 2021 the Company entered into a consulting agreement for engineering services with Mr Nicholas Previn, a son of Mr Victor Previn. The services are being provided at commercial rates. Total payments made pursuant to the agreement during the year ended 30 June 2022 were $123,427 including GST (2021: $24,832).

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

There were no non-audit services provided during the year ended 30 June 2022.

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

- all non-audit services are 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 28 to the financial statements.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2022 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, 25 August 2022

Auditor's Independence Declaration

As lead auditor for the audit of Nova Eye Medical Limited for the year ended 30 June 2022, 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
25 August 2022

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T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2022

	Note	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000
Revenue	2	13,378	13,394
Other income	4(a)	1,822	467
Foreign exchange gain		(52)	(482)
Changes in inventories of finished goods and work in progress		639	(33)
Raw materials and consumables used		(2,928)	(2,210)
Employee benefits expenses		(10,043)	(7,868)
Depreciation and amortisation expense	4(b)	(1,811)	(1,515)
Facility and property expenses		(1,619)	(1,503)
Legal fees		(450)	(66)
Advertising and marketing		(1,775)	(731)
Finance costs	3	(64)	(68)
Travel expenses		(748)	(271)
Consulting fees		(2,764)	(2,770)
Other expenses		(1,831)	(1,593)
Profit / (Loss) before income tax from continuing operations		**(8,246)**	**(5,251)**
Income tax (expense) / benefit	5	750	894
Profit / (Loss) for the year from continuing business		**(7,496)**	**(4,356)**
Profit / (Loss) after tax for the period		**(7,496)**	**(4,356)**

Notes to the financial statements are included on pages 22 to 64.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2022 (continued)

	Note	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		1,708	3
Total exchange differences relating to foreign operations		**1,708**	**3**
Total comprehensive income for the year		**(5,788)**	**(4,353)**
Earnings per share:			
From continuing operations:			
Basic (cents per share)	17	(5.18)	(3.03)
Diluted (cents per share)	17	(5.18)	(3.03)
From profit attributable to the ordinary equity holders of the Company:			
Basic (cents per share)	17	(5.18)	(3.03)
Diluted (cents per share)	17	(5.18)	(3.03)

Notes to the financial statements are included on pages 22 to 64.

Consolidated Statement of Financial Position as at 30 June 2022

	Note	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000
Current assets			
Cash and cash equivalents	25(a)	8,000	17,801
Trade and other receivables	6	2,200	4,020
Income tax refund receivable	5	1,569	1,408
Inventories	7	3,540	2,901
Prepayments		280	196
Total current assets		**15,589**	**26,326**
Non-current assets			
Trade and other receivables	6	68	64
Property, plant and equipment	8	1,136	1,334
Lease right of use asset	9	1,809	2,172
Intangible assets	10	7,173	3,443
Capitalised development expenditure	11	10,850	8,655
Deferred tax assets		-	-
Total non-current assets		**21,036**	**15,668**
Total assets		**36,625**	**41,994**
Current liabilities			
Trade and other payables	12	2,407	2,003
Borrowings and lease obligations	13	544	1,938
Provisions	14	912	746
Current tax liabilities		-	-
Total current liabilities		**3,863**	**4,687**
Non-current liabilities			
Borrowings and lease obligations	13	1,399	1,760
Provisions	14	-	76
Deferred tax liability	5	966	136
Total non-current liabilities		**2,365**	**1,972**
Total liabilities		**6,228**	**6,659**
Net assets		**30,397**	**35,335**
Equity			
Issued capital	20	37,440	36,678
Reserves	15	(439)	(2,235)
Accumulated (losses) / profits	16	(6,604)	892
Total Equity		**30,397**	**35,335**

Notes to the financial statements are included on pages 22 to 64.

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2022

	Issued capital $'000	Share Option Reserve $'000	Foreign currency reserve $'000	Accumulated (losses)/ profits $'000	Total $'000
Balance at 30 June 2020	**78,311**	**-**	**(2,359)**	**24,634**	**100,586**
Return of share capital	(41,644)	-	-	-	(41,644)
Payment of dividend	-	-	-	(19,386)	(19,386)
Employee share scheme	11	121	-	-	132
Total of transactions with owners	**(41,633)**	**121**	**-**	**(19,386)**	**(60,898)**
Profit / (Loss) for the year	-	-	-	(4,356)	(4,356)
Other comprehensive income	-	-	3	-	3
Total comprehensive income / (loss)	**-**	**-**	**3**	**(4,356)**	**(4,353)**
Balance at 30 June 2021	**36,678**	**121**	**(2,356)**	**892**	**35,335**
Issue of share capital	701	-	-	-	701
Payment of dividend	-	-	-	-	-
Employee share scheme	61	88	-	-	149
Total of transactions with owners	**762**	**88**	**-**	**-**	**850**
Profit / (Loss) for the year	-	-	-	(7,496)	(7,496)
Other comprehensive income	-	-	1,708		1,708
Total comprehensive income / (loss)	**-**	**-**	**-**	**(7,496)**	**(5,788)**
Balance at 30 June 2022	**37,440**	**209**	**(648)**	**(6,604)**	**30,397**

Notes to the financial statements are included on pages 22 to 64.

Consolidated Statement of Cash Flows for the financial year ended 30 June 2022

	Note	Consolidated Group 2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers		13,504	13,613
Grant income received		41	27
Payments to suppliers and employees		(19,618)	(17,864)
Interest and other costs of finance paid		(64)	(68)
Income tax refunded / (paid)		1,419	(8,852)
Net cash (used in) / provided by operating activities	**25(b)**	**(4,718)**	**(13,144)**
Cash flows from investing activities			
Interest received		35	239
Payment for property, plant and equipment		(134)	(383)
Payment for purchase of business, net of cash acquired		-	(991)
Receipts from escrow - sale of business		2,015	-
Payment of finalisation of sales of business		(1,000)	-
Payment for intangible assets		(3,588)	(426)
Payments for capitalised development costs		(1,869)	(1,419)
Net cash (used in) / provided by investing activities		**(4,541)**	**(2,980)**
Cash flows from financing activities			
Repayment of mortgage		-	-
Repayment of leases principle		(402)	(582)
Payment of dividend		-	(19,386)
Payment of capital		-	(41,644)
Net cash (used in) / provided by financing activities		**(402)**	**(61,612)**
Net (decrease) / increase in cash and cash equivalents		(9,661)	(77,736)
Cash and cash equivalents at the beginning of the financial year		17,801	95,649
Effects of exchange rate changes on the balance of cash held in foreign currencies		(140)	(112)
Cash and cash equivalents at the end of the financial year	**25(a)**	**8,000**	**17,801**

Notes to the financial statements are included on pages 22 to 64.

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2022

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 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 2022 is 107 Rundle Street, Kent Town, South Australia, 5067.

The consolidated financial statements for the year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 25 August, 2022.

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.

Going concern

The Group has experienced a net operating cash outflow of $4.718 million and total decrease in cash and cash equivalents of $9.801 million for the year ended 30 June 2022. Included in the decrease in cash and cash equivalents are payments of $5.104 million made in the year to 30 June 2022 for new product development (for the Glaucoma Surgical Devices Segment) and the acquisition of key technology patents. As at 30 June 2022 the Group holds cash and cash equivalents of $8.0 million.

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

In assessing the Group's ability to continue as a going concern, the directors have considered the Group's financial forecasts and available funds. The Group's forecasts are dependent on achieving revenue budgets and staged business development plans including working within available funds.

The directors are satisfied that these actions are practical and achievable and are therefore satisfied there are reasonable grounds to conclude the Group can continue as a going concern.

In addition to the above activities the Directors note that the Company is actively exploring business development options for the AlphaRET business segment including potential fund raising.

Accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2022 and the comparative information presented in these financial statements for the year ended 30 June 2021.

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 Other Comprehensive Income (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:

(i) *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.

(ii) *Fair Value Through Other Comprehensive Income (FVTOCI)*

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 FVTOCI. 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.

(iii) *Fair Value Through Profit and Loss (FVTPL)*

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.

Notes to the financial statements

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 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 assets 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.

Notes to the financial statements

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 22 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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, estimates 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 a significant effect on the financial statements.

(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.

Fair value of assets acquired in a business combination

The Group estimates the fair value of the assets and liabilities acquired in a business combination. The fair value estimates include judgement and management estimates.

Notes to the financial statements

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 Glaucoma Surgical Devices segment and AlphaRET business segments which are capable of producing independent cash flows.

As a result of this assessment there was no impairment loss recorded in 2022 or in 2021.

Glaucoma Surgical Devices

For the 2022 and 2021 reporting periods, the recoverable amount of the cash generating unit (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets and forecasts 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 2022 included an assessment of the impact of COVID-19 on future sales. During December 2020, January 2021 and February 2021 sales were negatively impacted by temporary closures of ophthalmic surgery centres as a result of the COVID-19 pandemic. The Company has experienced a trend to normalisation of activity during 2022, however supply chain problems have impacted commercial initiatives.

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

Glaucoma Surgical Devices	30 June 2022	30 June 2021
Sales growth (% average annual growth rate)	18	17
Sales prices (% average annual growth rate)	4.0	0.0
Long-term growth rate (%)	1.0	2.0
WACC (%) post tax	13.10	9.92

AlphaRET

Management has determined the recoverable amount of the AlphaRET CGU by assessing the fair value less cost of disposal (FVLCOD) of the underlying assets, the 2RT® intellectual property ("IP"). Management assessment of valuation at 30 June 2022 was based on a replacement cost and includes the following significant inputs: expected developers profit margin of 23.5% and opportunity cost estimated using a weighted average cost of capital of 9.92%. Based on the commercial activities achieved at 30 June 2022 and underway as at the date of the report, the Company sees this valuation methodology as appropriate. The assessment is that the 30 June 2022 valuation represents the fair value at 30 June 2022.

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

Assessment of reasonable change in assumptions to all CGU's

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 assets of Glaucoma Surgical Devices.

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 AlphaRET CGU.

Notes to the financial statements

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, where applicable is reduced by any amounts relating to future services yet to be performed such as preventative maintenance services. In such instances, transaction price is allocated between performance obligations on a relative standalone price-basis.

(a) Revenue from the sale of goods

	Consolidated Group	
	2022 $'000	2021 $'000
Revenue from the sale of goods	13,378	13,394
Total revenue from continuing operations	**13,378**	**13,394**

3. Finance costs

	Consolidated Group	
	2022 $'000	2021 $'000
Interest on bank overdrafts, trade finance and loans	-	(5)
Interest on obligations under leases	(64)	(63)
Total finance costs	**(64)**	**(68)**

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

Grant 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.

Notes to the financial statements

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	
	2022 $'000	2021 $'000
Grant income*	1,463	27
Interest	34	239
Rent income	253	201
Other income	72	-
Total other income	**1,822**	**467**

*Grant Income for the period includes the Payroll Protection Program Loan amount of $1,422k ($1,068k USD) as part of a US Government stimulus related to the COVID-19 pandemic. This loan was forgiven in full in the period ended 30 June 2022.

(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	
	2022 $'000	2021 $'000
Depreciation of property, plant and equipment and right of use assets	987	818
Amortisation of intangible assets	824	697
Total depreciation and amortisation expense	**1,811**	**1,515**

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 or a receivable if not tax is payable. Any unused tax offsets are carried forward and are recognised as a deferred tax asset up to the extent of taxable temporary differences.

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.

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.

Notes to the financial statements

Income tax recognised in profit or loss

	Consolidated Group	
	2022 $'000	2021 $'000
Tax expense / (benefit) comprises:		
Current tax expense	(1,579)	(715)
Deferred tax expense / (benefit)	829	(179)
Total tax expense / (benefit)	**(750)**	**(894)**
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	**(8,246)**	**(5,251)**
Prima facie income tax expense / (benefit) at statutory corporate tax rate in Australia of 25% (i) (2021:26%)	(2,062)	(1,365)
Non-deductible expenses	-	132
Derecognition of deferred tax asset in relation to previous year and current year overseas tax losses	1,748	-
Other	-	(542)
Under / (over) provision of income tax in previous year	(436)	881
Total income tax expense / (benefit)	**(750)**	**(894)**

(i) The tax rate used in the above reconciliation is the corporate tax rate of 25% for the year ended 30 June 2022 and 26% for the year ended 30 June 2021 payable by Australian corporate entities on taxable profits under Australian tax law. On 1 July 2020, the applicable corporate tax rate for the Australian tax group reduced from 30% to 26% and subsequently to 25% for the income tax year ended 30 June 2022.

Notes to the financial statements

(a) Deferred tax balances

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

2022 Continuing operations	Consolidated Group			
	1/07/21 $'000	Charged to Profit and Loss $'000	Charged to Equity $'000	30/06/22 $'000
Temporary differences				
Property, plant and equipment	(40)	(5)	-	(45)
Intangibles	(23)	(8)	-	(31)
Capitalised development costs	(2,258)	785	-	(1,473)
Section 40-880 deductions	186	(122)	-	64
Provisions	83	38	-	121
Other	1,158	(760)	-	398
	(894)	**(72)**	-	**(966)**
Tax losses and credits				
New Zealand - Molteno Ophthalmic Limited	-	-	-	-
Germany – Nova Eye Medical GmbH	-	-	-	-
USA - Nova Eye, Inc.	758	(758)	-	-
Australia – Nova Eye Medical Limited Group	-	-	-	-
	(136)	**(830)**	-	**(966)**

The Australian Government has passed legislation which reduces the corporate tax rate for small and medium base rate entities from 27.5% to 26% for the 2020-21 income year and further to 25% for the 2021-22 and later income years. As the Company expects to qualify as a base rate entity with a turnover of less than $50 million and less than 80% of its assessable income being passive income for the foreseeable future, it expects to benefit from the reduced tax rates in future reporting periods. As a consequence, the Company has remeasured its deferred tax balances based on the effective tax rate that will apply in the year the temporary differences are expected to reverse. The impact of the change in tax rate has been recognised in tax expense in profit or loss.

Notes to the financial statements

(b) Deferred tax balances

2021	Consolidated Group			
	1/07/20 $'000	Charged to Income $'000	Charged to equity $'000	30/06/21 $'000
Temporary differences				
Property, plant and equipment	1	(41)	-	(40)
Intangibles	29	(52)	-	(23)
Capitalised development costs	(1,898)	(360)	-	(2,258)
Section 40-880 deductions	421	(235)	-	186
Provisions	66	17	-	83
Other	802	356	-	1,158
	(579)	**(315)**	**-**	**(894)**

	Consolidated Group			
	1/07/20 $'000	Charged to Income $'000	Charged to Equity $'000	30/06/21 $'000
Tax losses and credits				
Tax losses (USA – Nova Eye, Inc.)	264	494	-	758
Unused Research and Development tax offset	-	-	-	-
	(315)	**179**	**-**	**(136)**

(c) Tax losses

	2022 $'000	2021 $'000
Unused tax losses for which no deferred tax asset has been recognised		
New Zealand - Molteno Ophthalmic Limited	-	-
Germany - Nova Eye Medical GmbH	-	-
USA - Nova Eye, Inc. (i)	23,047	20,345
Australia - Nova Eye Medical Limited Group	-	-
Potential tax benefit @ 30%* (i)	6,914	6,103

***** Being approximate average applicable rate in USA.

(i) Tax losses as at 30 June 2021 are updated based on the income tax returns lodged for that year.

(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 Lasers & 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 Lasers & 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	
	2022 $'000	2021 $'000
Current		
Trade receivables	2,046	1,909
Allowance for doubtful debts	-	-
	2,046	**1,909**
Other receivables*	105	2,079
Goods and services tax (GST) recoverable	49	32
	2,200	**4,020**
Non-Current		
Sundry receivables	68	64
	68	**64**

*Prior period other receivables included $2.02m held in escrow relating to the sale of the Lasers and Ultrasound business. There are no funds held in escrow as at 30 June 2022.

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 2022	1-30 days	30 - 60 days	60 - 90 days	90 - 120 days	Total
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount - trade receivables	1,331	319	156	240	2,046

30 June 2021	1-30 days	30 - 60 days	60 - 90 days	90 - 120 days	Total
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount - trade receivables	1,619	205	31	54	1,909

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	
	2022 $'000	2021 $'000
Raw materials – at cost	789	539
Work in progress – at cost	611	286
Finished goods – at cost	2,140	2,076
Total current inventories	**3,540**	**2,901**
Provision for stock obsolescence	-	**-**

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.

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

- Plant and equipment 2 – 20 years

	Plant & Equipment at cost $'000	Total $'000
Gross carrying amount		
Balance at 30 June 2020	**1,963**	**1,963**
Additions	383	383
Acquired on business acquisition:		
- Plant and equipment	14	14
- Manufacturing facility	182	182
Disposals	-	-
Net foreign currency exchange difference	(221)	(221)
Balance as at 30 June 2021	**2,321**	**2,321**
Additions	159	159
Disposals	-	-
Net foreign currency exchange difference	82	82
Balance as at 30 June 2022	**2,562**	**2,562**

	Plant & Equipment at cost $'000	Total $'000
Accumulated depreciation		
Balance at 30 June 2020	(785)	(785)
Depreciation – continued operations	(312)	(312)
Disposals	110	110
Balance at 30 June 2021	**(987)**	**(987)**
Depreciation – continued operations	(409)	(409)
Disposals	-	-
Net foreign currency exchange differences	(30)	(30)
Balance at 30 June 2022	(1,426)	(1,426)
Net book value		
As at 30 June 2021	**1,334**	**1,334**
As at 30 June 2022	**1,136**	**1,136**

9. Right-of-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	
	Land & Building $'000	Total $'000
Net carrying amount		
Balance at 1 July 2021	**2,172**	**2,172**
Additions	102	102
Amortisation	(578)	(578)
Net foreign currency exchange difference	113	113
Net Balance at 30 June 2022	**1,809**	**1,809**

	Consolidated Group	
	Land & Building $'000	Total $'000
Net carrying amount		
Balance at 1 July 2020	**1,734**	**1,734**
Additions	1,070	1,070
Amortisation	(485)	(485)
Net foreign currency exchange difference	(147)	(147)
Net Balance at 30 June 2021	**2,172**	**2,172**

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.

Acquisition of Key Glaucoma Patents

On 26 August 2021, Nova Eye Medical Limited completed a transaction with a US based company, Innovative Glaucoma Solutions LLC (IGS) to acquire a portfolio of patents related to Glaucoma treatment. Total consideration was $3,454k comprising of $2,753k (US$2,000,000) plus an issue of 1,736,653 shares in the Company with a fair value of $701k (US$500,000).

	Consolidated Group			
	Intellectual Property $'000	Patents & Trademarks $'000	Brand $'000	Total $'000
Gross Carrying amount				
Balance at 30 June 2020	**4,310**	**2,230**	**-**	**6,540**
Acquired on business acquisition	-	-	356	356
Additions / (disposals)	-	426	-	426
Foreign currency exchange differences	(299)	(121)	58	(362)
Balance at 30 June 2021	**4,011**	**2,535**	**414**	**6,960**
Additions / (disposals)	-	3,898	-	3,898
Foreign currency exchange differences	171	163	(11)	323
Balance at 30 June 2022	**4,182**	**6,596**	**403**	**11,181**
Accumulated amortisation and impairment				
Balance at 30 June 2020	**(2,794)**	**(405)**	**-**	**(3,199)**
Disposals	-	-	-	-
Amortisation	(412)	(104)	-	(516)
Foreign currency exchange differences	182	16	-	198
Balance at 30 June 2021	**(3,024)**	**(493)**	**-**	**(3,517)**
Disposals	-	-	-	-
Amortisation	(413)	(134)	-	(547)
Foreign currency exchange differences	56	-	-	56
Balance at 30 June 2022	**(3,381)**	**(627)**	**-**	**(4,008)**
Net book value				
As at 30 June 2021	**987**	**2,042**	**414**	**3,443**
As at 30 June 2022	**801**	**5,969**	**403**	**7,173**

11. Capitalised development expenditure

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.

Notes to the financial statements

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

- Capitalised development costs 5 – 10 years

Capitalised development costs at 30 June 2022 total $10.9m of which $6.02m related to 2RT®.

	Consolidated Group $'000
Gross carrying amount	
Balance at 30 June 2020	**7,631**
Additions	1,419
Foreign currency exchange differences	(128)
Balance at 30 June 2021	**8,922**
Additions	2,181
Foreign currency exchange differences	308
Balance at 30 June 2022	**11,411**
Accumulated amortisation and impairment	
Balance at 30 June 2020	**(95)**
Amortisation expense	(162)
Foreign currency exchange differences	(10)
Balance at 30 June 2021	**(267)**
Amortisation expense	(276)
Foreign currency exchange differences	(18)
Balance at 30 June 2022	**(561)**
Net book value	
As at 30 June 2021	**8,655**
As at 30 June 2022	**10,850**

12. 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.

13. 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.

Notes to the financial statements

	Consolidated Group	
	2022 $'000	2021 $'000
Current		
Finance lease liabilities	544	516
Other loans (unsecured)*	-	1,422
	544	**1,938**
Non-Current		
Finance lease liabilities	1,399	1,760
	1,399	**1,760**

*The 30 June 2022 balance includes an interest free Payroll Protection Program Loan amount of $1,422k ($1,068k USD) as part of a US Government stimulus related to the COVID-19 pandemic. This loan was forgiven in full during the period ended 30 June 2022.

Summary of borrowing arrangements

As of 30 June 2022, there were no bank borrowings.

Leases

(a) Leasing arrangements recognised on balance sheet

- Leases relate to office space, 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

14. 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.

Notes to the financial statements

	Consolidated Group	
	2022 $'000	2021 $'000
Current		
Employee benefits	907	744
Warranty (i)	5	2
	912	**746**
Non-Current		
Employee benefits (ii)	**-**	**76**

(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 2020	**8**
Additional provisions recognised	-
Amounts used	(6)
Balance at 30 June 2021	**2**
Additional provisions recognised	3
Amounts used	-
Balance at 30 June 2022	**5**

(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	
	2022 $'000	2021 $'000
Leave obligations expected to be settled after 12 months	419	76

Notes to the financial statements

15. Reserves

	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000
Foreign currency translation reserve (i)		
Balance at beginning of financial year	(2,356)	(2,359)
Translation of continuing foreign operations	1,708	3
Balance at end of financial year	(648)	**(2,356)**
Other reserves (ii)		
Balance at beginning and end of financial year	121	-
Transfer to retained earnings	-	-
Share based payments	88	121
Balance at end of financial year	**209**	**121**
Total Reserves	**(439)**	**(2,235)**

(i) Exchange differences relating to the translation from USA Dollars and the Euro, being the functional currencies of the consolidated Group's foreign subsidiaries in the USA, 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 of employee option reserves.

16. Accumulated profits / (losses)

	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000
Balance at the beginning of the financial year	892	24,634
Movement with non-controlling interest	-	-
Payment of dividend	-	(19,386)
Net income (loss) attributable to members of the parent entity	(7,496)	(4,356)
Balance at end of financial year	**(6,604)**	**892**

17. 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.

Notes to the financial statements

	Consolidated Group	
	2022 cents	2021 cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(5.18)	(3.03)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(5.18)	(3.03)
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(5.18)	(3.03)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(5.18)	(3.03)

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	
	2022 $'000	2021 $'000
Profit / (Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	**(7,496)**	**(4,356)**

	Consolidated Group	
	2022 No.	2021 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	144,632,965	143,643,638
Weighted average number of ordinary shares for the purposes of diluted earnings per share	144,632,965	143,643,638

18. Dividends

	2022		2021	
	Cents per share	Total $'000	Cents per share	Total $'000
Final dividend – franked to 30%	-	-	0.135	19,386
Capital Return	-	-	0.290	41,644

	Consolidated Group	
	2022 $'000	2021 $'000
Adjusted franking account balance	5,414	6,833

19. Share-based payments

The Nova Eye Medical 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 and performance shares 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 and performance shares 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 volume weighted share price at a date in the future.

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

Employee Options	**Consolidated Group 30 June 2022**	
	Average exercise price per share option	**Number of options**
Balance as at 1 July 2020	**-**	**-**
Granted during year	$0.50	897,500
Balance as at 30 June 2021	**$0.50**	**897,500**
Vested and exercisable as at 30 June 2021	$0.50	897,500
Balance as at 1 July 2021	**$0.50**	**897,500**
Granted during year	$0.48	1,980,000
Exercised during year	-	-
Forfeited during year	$0.50	(150,000)
Balance as at 30 June 2022	**$0.48**	**2,727,500**
Vested and exercisable as at 30 June 2022	**$0.48**	**2,727,500**

Notes to the financial statements

Fair value of options granted

The assessed fair value at grant date of options granted was:

-	Employee Options granted 10 August 2021	$0.03
-	Employee Options granted 17 September 2021	$0.13
-	Consultant Options granted 1 January 2022	$0.07

The fair value at grant date is determined using Black-Scholes Model. The model inputs for options granted during the period ended 30 June 2022 included:

<u>August 10 2021 Options</u>

a) Options are granted for no consideration and vest at specified dates, commencing August 10, 2021. Vested options are exercisable for a period of 36 months after vesting
b) Exercise price: $0.50
c) Grant date: 10 August 2021
d) Expiry date: 36 months from the vesting date
e) Share price at grant date: $0.42
f) Expected price volatility of the Company's shares: 15%
g) Risk-free rate: 3%

<u>September 17 2021 Options</u>

a) Options are granted for no consideration and vest at specified dates, commencing September 17, 2021. Vested options are exercisable for a period of 36 months after vesting.
b) Exercise price: $0.53
c) Grant date: 17 September 2021
d) Expiry date: 36 months from the vesting date
e) Share price at grant date: $0.41
f) Expected price volatility of the Company's shares: 54%
g) Risk-free rate: 3%

<u>January 31 2022 Options</u>

a) Options are granted for no consideration and vest at specified dates, commencing January 31, 2022. Vested options are exercisable for a period of 36 months after vesting.
b) Exercise price: $0.48
c) Grant date: 31 January 2022
d) Expiry date: 36 months from the vesting date
e) Share price at grant date: $0.30
f) Expected price volatility of the Company's shares: 54%
g) Risk-free rate: 3%

The 150,000 share options were forfeited on 24 March 2022.

Notes to the financial statements

Performance Rights	Consolidated Group 30 June 2022	Consolidated Group 30 June 2021
	Number of Performance rights	Number of Performance rights
Balance as at 30 June 2021	**85,000**	**-**
Rights granted during year	471,000	170,000
Rights exercised during year	(157,000)	(85,000)
Rights forfeited during year	(38,000)	-
Balance as at 30 June 2022	**361,000**	**85,000**

August 6 2021 Performance Rights

(a) 393,000 performance rights issued on 6 August, 2021

(i) 131,000 performance rights to convert to ordinary shares immediately on issue date

(ii) 38,000 performance rights forfeited during the period ending 30 June 2022

(iii) 112,000 performance rights to convert 12 months from issue date

(iv) 112,000 performance rights to convert 24 months from issue date

(v) The performance rights will expire on August 7, 2023

The fair value of the performance rights was $0.34.

November 17 2021 Performance Rights

(a) 21,000 performance rights issued on November 17, 2021

(i) 7,000 performance rights to convert to ordinary shares immediately on issue date

(ii) 7,000 performance rights to convert 12 months from issue date

(iii) 7,000 performance rights to convert 24 months from issue date

(iv) The performance rights will expire on November 17, 2023

The fair value of the performance rights was $0.38.

November 24 2021 Performance Rights

(a) 36,000 performance rights issued on November 24, 2021

(i) 12,000 performance rights to convert to ordinary shares immediately on issue date

(ii) 12,000 performance rights to convert 12 months from issue date

(iii) 12,000 performance rights to convert 24 months from issue date

(iv) The performance rights will expire on November 24, 2023

The fair value of the performance rights was $0.38.

January 3 2022 Performance Rights

(a) 21,000 performance rights issued on January 3, 2022

(i) 7,000 performance rights to convert to ordinary shares immediately on issue date

(ii) 7,000 performance rights to convert 12 months from issue date

(iii) 7,000 performance rights to convert 24 months from issue date

(iv) The performance rights will expire on January 3, 2024

(v)The fair value of the performance rights was $0.29.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment during the period is $203k (2021: $132k).

20. Issued capital

Ordinary shares are classified as equity.

	Consolidated Group	
	2022 $'000	2021 $'000
145,579,791 fully paid ordinary shares (2021: 143,686,138)	**37,440**	**36,678**

	Company 2022		Company 2021	
	No. '000	$'000	No. '000	$'000
Fully paid ordinary shares				
Balance at beginning of financial year	143,686	36,678	143,601	78,311
Shares issued as consideration	1,737	701		
Return of capital	-	-	-	(41,644)
Issue of shares under employee share scheme	157	61	-	11
Balance at end of financial year	**145,580**	**37,440**	**143,686**	**36,678**

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

Notes to the financial statements

21. Commitments and contingencies

Commitments

Contractual commitments for the acquisition of property, plant, and equipment as at 30 June 2022 are nil (2021: nil).

Contingencies

The Company has received notification of certain potential claims from third parties in relation to its business and operations. No material loss is expected from these claims and as such no provision is made in the financial statements in relation to these claims.

22. 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 expensed 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 value.

Name of Entity	Country of Incorporation	Ownership Interest	
		2022 %	2021 %
Parent Entity			
Nova Eye Medical Limited (i)	Australia	100	100
Subsidiaries			
Nova Eye Operations Pty Ltd	Australia	100	100
AlphaRET Pty Ltd	Australia	100	100
AlphaRET GmbH	Germany	100	n/a
Innovative Imaging, Inc.	USA	100	100
Nova Eye Medical GmbH	Germany	100	100
Nova Eye, Inc.	USA	100	100
Nova Eye Hong Kong Ltd	Hong Kong	100	100
Molteno Ophthalmic Limited	New Zealand	100	100

(i) Nova Eye Medical Limited is the head of the Australian Tax Consolidated Group which includes AlphaRET Pty Ltd and Nova Eye Operations Pty Ltd.

Notes to the financial statements

23. 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 based on eye disease 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.

Glaucoma Surgical Devices

The Glaucoma Surgical Devices segment includes the design, manufacture, marketing and sale of the iTrack™, iTrack™ Advance and the Molteno3® glaucoma surgical device. The Molteno3® glaucoma surgical device business was acquired by the Company on 1 August 2020.

AlphaRET

2RT® is an ophthalmic laser that 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.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, by 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.

Notes to the financial statements

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets 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:

- corporate costs;
- income tax expense;
- deferred and current taxes

Notes to the financial statements

(a) Segment performance

	AlphaRET $'000	Glaucoma Surgical Devices $'000	Total $'000
Year ended 30 June 2022			
Revenue from continuing operations			
External sales	241	13,137	13,378
Total segment revenue from continuing operations	**241**	**13,137**	**13,378**
Segment EBITDA	**(1,494)**	**(3,092)**	**(4,586)**
Depreciation and amortisation	(209)	(1,601)	(1,810)
Segment results	**(1,703)**	**(4,693)**	**(6,396)**
Unallocated items:			
• Corporate costs, quality and service charges			(2,018)
• Finance costs			(64)
• Interest and other revenue			290
• Other			(58)
Net profit (loss) before tax from continuing operations			**(8,246)**
Year ended 30 June 2021			
Revenue from continuing operations			
External sales	306	13,088	13,394
Total segment revenue from continuing operations	**306**	**13,088**	**13,394**
Segment EBITDA	**(860)**	**101**	**(759)**
Depreciation and amortisation	(167)	(1,253)	(1,420)
Segment results	**(1,027)**	**(1,152)**	**(2,179)**
Unallocated items:			
• Corporate costs, quality and service charges			(2,759)
• Finance costs			(68)
• Interest and other revenue			338
• Other			(583)
Net profit (loss) before tax from continuing operations			**(5,251)**

Notes to the financial statements

(b) Segment assets

	AlphaRET $'000	Glaucoma Surgical Devices $'000	Total $'000
Year ended 30 June 2022			
Segment assets – opening	7,933	13,017	20,950
Segment asset changes for the period:			
Net movement in segment assets	793	6,882	7,675
Total segment assets	**8,726**	**19,899**	**28,625**
Reconciliation of segment assets to Group assets:			
Unallocated assets			8,000
Total Group assets			**36,625**
Year ended 30 June 2021			
Segment assets – opening	7,210	12,371	19,580
Segment asset changes for the period:			
Net movement in segment assets	723	646	1,369
Total segment assets	**7,933**	**13,017**	**20,950**
Reconciliation of segment assets to Group assets:			
Unallocated assets			21,044
Total Group assets			**41,994**

Notes to the financial statements

(c) Segment liabilities

	AlphaRET $'000	Glaucoma Surgical Devices $'000	Total $'000
Year ended 30 June 2022			
Segment liabilities – opening	450	6,073	6,523
Segment liabilities changes for the period:			
Net movement in segment liabilities	2,086	(3,347)	(1,261)
Total segment liabilities	**2,536**	**2,726**	**5,262**
Reconciliation of segment liabilities to Group liabilities:			
Deferred tax liability			966
Total liabilities			**6,228**
Year ended 30 June 2021			
Segment liabilities – opening	222	4,084	4,306
Segment liabilities changes for the period:			
Net movement in segment liabilities	228	1,989	2,217
Total segment liabilities	**450**	**6,073**	**6,523**
Reconciliation of segment liabilities to Group liabilities:			
Deferred tax liability			136
Total liabilities			**6,659**

d) Revenue by geographical region

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

	2022 $'000	2021 $'000
United States of America	8,779	9,036
Europe	3,595	3,167
Asia Pacific	736	992
Other	192	124
Australia	76	75
Total revenue	**13,378**	**13,394**

(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:

	2022 $'000	2021 $'000
United States of America	12,842	7,137
Europe	12	2
Australia	7,557	7,833
New Zealand	625	696
Total assets	**21,036**	**15,668**

24. 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 22 to the financial statements.

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

During the year ended 30 June 2022 there were transactions conducted between these entities. These transactions were conducted in accordance with agreements with terms on an arms-length basis. All profits generated in Group companies associated with these transactions have been eliminated on consolidation.

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

- Loans totalling $55,052k (2021: $44,935k) are receivable from subsidiaries which have been eliminated on consolidation.

The following transactions occurred between the Group and its other related parties:

- On 1 July 2020 the Company entered into a lease agreement for a property at 107 Rundle St, Kent Town, South Australia with a company controlled by Mr Victor Previn. The terms of the lease are in line with similar properties in the area. Total payments made pursuant to the lease agreement during the year ended 30 June 2022 were $84,150 including GST (2021: $82,500).

- In February 2021 the Company entered into a consulting agreement for engineering services with Mr Nicholas Previn, a son of Mr Victor Previn. The services are being provided at commercial rates. Total payments made pursuant to the agreement during the year ended 30 June 2022 were $123,427 including GST (2021: $24,832).
- Director fees are paid on a monthly basis in arrears and all superannuation expenses were paid up to and including 30 June 2022 prior to the end of the period.

(c) Key management personnel compensation

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

	Consolidated Group	
	2022 $	2021 $
Short term employee benefits	498,108	493,121
Post-employment benefits	45,642	39,270
Share based payments	91,000	-
Other long-term benefits	-	-
Termination benefits	-	-
Total key management personnel compensation	**634,750**	**532,391**

25. 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	
	2022 $'000	2021 $'000
Cash and cash equivalents	8,000	17,801
	8,000	**17,801**

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

	Consolidated Group	
	2022 $'000	2021 $'000
Profit / (loss) for year	(7,496)	(4,536)
Depreciation and amortisation of non-current assets	1,811	1,515
Release of grant income	(1,422)	-
	(7,107)	**(3,021)**
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Current and non-current receivables	1,816	(1,616)
Decrease / (increase) in tax balances	669	(8,151)
Current and non-current inventories	(639)	33
Other assets	(84)	298
Current and non-current payables	537	(1,823)
Other current and non-current liabilities	90	1,136
Total changes in net assets and liabilities	2,389	(10,123)
Net cash from operating activities	**(4,718)**	**(13,144)**

Notes to the financial statements

c) Net cash / (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	
	2022 $'000	2021 $'000
Cash and cash equivalents	8,000	17,801
Borrowings- repayable within 12 months (including overdraft)	(544)	(1,938)
Borrowings- repayable after 12 months	(1,399)	(1,760)
Net cash / (debt)	**6,057**	**14,103**

	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 cash / (debt) as at 30 June 2020	**95,649**	**(355)**	**(1,433)**	**(1,554)**	**-**	**92,307**
Cash flows (net)	(77,848)	(161)	(327)	132	-	(78,204)
Bank overdraft usage	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-	-
Net cash / (debt) as at 30 June 2021	**17,801**	**(516)**	**(1,760)**	**(1,422)**	**-**	**14,103**
Cash flows (net)	(9,801)	(28)	361	1,422	-	(8,046)
Bank overdraft usage	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-	-
Net cash / (debt) as at 30 June 2022	**8,000**	**(544)**	**(1,399)**	**-**	**-**	**6,057**

26. 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, as detailed in the accounting policies to these financial statements, are as follows:

Notes to the financial statements

	Note	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000
Financial assets			
Cash and cash equivalent	25(a)	8,000	17,801
Trade and Other receivables	6	2,268	4,084
Total financial assets		**10,268**	**21,885**
Financial liabilities			
Trade and other payables	12	2,407	2,003
Borrowings	13	1,943	3,698
Total financial liabilities		**4,350**	**5,701**

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 note 20, note 15 and note 16 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 Chair of the Audit & Risk Committee and Executive Director review 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 2022 or 2021.

(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.

Since 1 July 2020, the ongoing business has revenue and costs primarily denominated in USD, Euros and New Zealand dollars and the business is currently loss making. The business is therefore exposed to movement in the AUD / USD exchange rates.

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

	Liabilities		Assets	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
USD	-	1,422	944	1,172
EUR	-	-	417	132
NZD	-	-	14	197

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.

	EUR Impact Consolidated		USD Impact Consolidated		New Zealand Dollars Consolidated	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Profit or loss	42	-	94	142	1	-

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

(g) Interest rate risk management

As of 30 June 2022, and 30 June 2021 the Company has no interest-bearing bank borrowings and is not exposed to interest rate risk.

(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 Group's 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.

Notes to the financial statements

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.

(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				
2022	**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	46	91	406	1,241	159	1,943
Trade payables	2,407	-	-	-	-	2,407
Other payables	-	-	-	-	-	-
	2,453	**91**	**406**	**1,241**	**159**	**4,350**

2021	Less than 1 month $'000	Interest rate maturity 1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	5+ years $'000	Total $'000
Financial liabilities						
Finance lease	47	95	440	1,702	170	2,454
Trade payables	2,003	-	-	-	-	2,003
Other payables	1,422	-	-	-	-	1,422
	3,472	**95**	**440**	**1,702**	**170**	**5,879**

27. 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 2022 $'000	2021 $'000
Statement of Financial Position		
Total current assets	67,025	65,568
Total non-current assets	3,104	2,837
Total assets	**70,129**	**68,405**
Total current liabilities	(1,084)	(1,938)
Total non-current liabilities	(1,019)	(269)
Total liabilities	**(2,103)**	**(2,207)**
Share capital	37,440	36,678
Reserves	209	122
Accumulated profit / (losses)	30,377	29,399
Total Equity	**68,026**	**66,199**
Statement of Profit or Loss and Other Comprehensive Income		
Profit / (loss) for the year	(491)	(2,767)
Total comprehensive income after tax for the period	**(985)**	**(1,882)**

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 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 22 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 2022 are nil (2021: nil).

(b) Contingent liabilities

There are no contingent liabilities.

28. Remuneration of auditors

	Consolidated Group	
	2022 $	2021 $
Audit or review of the financial report		
PricewaterhouseCoopers	89,460	85,350
	89,460	**85,350**
Other assurance services		
PricewaterhouseCoopers	15,045	-
Total remuneration of auditors (audit / assurance services)	**104,505**	**85,350**

The auditors of Nova Eye Medical Limited are PricewaterhouseCoopers.

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

- Other: nil (2021: nil).

These services do not breach auditor independence.

29. Events after reporting date

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

In the opinion of the Directors of Nova Eye Medical 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 2022 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 Managing Director and Chief Financial Officer for the financial year ended 30 June 2022.

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 by Victor Previn

Chairman

Adelaide, 25 August 2022

Independent auditor's report

To the members of Nova Eye Medical Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Nova Eye Medical 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 2022 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 2022
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- 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.

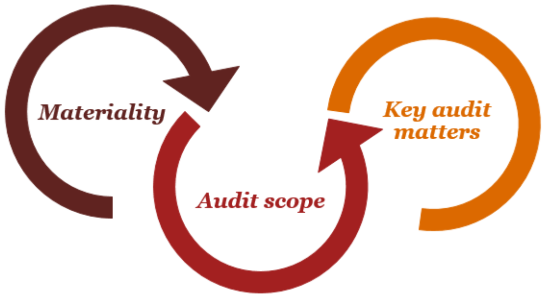
Independence

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 & 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.

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	Audit scope	Key audit matters
• For the purpose of our audit we used overall Group materiality of $300,000, which represents approximately 5% of the Group's loss before tax/other appropriate benchmark. • 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 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.	• 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 and Europe. • Our audit work covered the operations in both Australia and the United States given their financial significance to the Group as a whole. • 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.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Impairment assessment of non-current assets • These are further described in the *Key audit matters* section of our report.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-current assets *(Refer to note 1(v) and note 1 (ix))* The consolidated statement of financial position includes property, plant and equipment of $1.136 million, intangible assets of $7.173 million and capitalised development expenditure of $10.850 million as at 30 June 2022. 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 2022. 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 ongoing operations and internal reporting. • performed sensitivity analyses over 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. • evaluated the adequacy of the disclosures made in note 1 (ix), including those regarding the key assumptions and sensitivities to changes in assumptions, in light of the requirements of Australian Accounting Standards. We also performed the following procedures for the value in use model: • assessed whether the CGUs included directly attributable cash flows and a reasonable allocation of corporate assets and overheads. • evaluated the key assumptions in the model including sales and expenditure forecasts, growth, inflation rates and discount rates by comparing them with historical results, and economic and industry forecasts. • tested that the forecast cash flows used in the model were consistent with the most up-to-date budgets and business plans 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: • evaluated whether the methodology used to determine the fair market value was in accordance with the requirements of Australian Accounting Standards. • assessed the reasonability of the key assumptions including replacement expenditure, discount rates and profit margin included in the valuation and tested their accuracy to external market information, where applicable.

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 2022, 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 9 to 14 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Nova Eye Medical Limited for the year ended 30 June 2022 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
25 August 2022

Number of holders of equity securities

Ordinary share capital

145,579,791 fully paid ordinary shares are held by 2,330 individual shareholders.

All issued shares carry one vote per share.

Distribution of holders of equity securities

Range	Total Holders
1 - 1,000	109
1,001 - 5,000	804
5,001 - 10,000	441
10,001 - 100,000	833
100,001 Over	143
Holding less than a marketable parcel	464

Substantial shareholders

	Fully Paid	
Ordinary Shareholders	Number	Percentage
NATIONAL NOMINEES LIMITED	27,641,957	18.99
J P MORGAN NOMINEES AUSTRALIA PTY LTD	13,328,116	9.16
SEDICO PTY LTD	7,266,980	4.99

Number of holders of equity securities

Twenty largest holders of quoted equity securities

	Fully Paid	
Ordinary Shareholders	Number	Percentage
NATIONAL NOMINEES LIMITED	27,641,957	18.99%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,328,116	9.16%
SEDICO PTY LTD	7,266,980	4.99%
BOND STREET CUSTODIANS LIMITED	6,081,275	4.18%
PINE STREET PTY LTD	5,900,000	4.05%
RUMINATOR PTY LTD	5,062,008	3.48%
CANALA SUPER FUND PTY LTD	4,016,602	2.76%
ALTOR CAPITAL MANAGEMENT PTY LTD	2,100,969	1.44%
CITICORP NOMINEES PTY LIMITED	1,798,065	1.24%
INNOVATIVE GLAUCOMA SOLUTIONS LLC*	1,736,653	1.19%
VISS HOLDINGS PTY LTD	1,471,541	1.01%
SEDICO PTY LTD <VICTOR PREVIN SUPERFUND A/C>	1,200,000	0.82%
NEWECONOMY COM AU NOMINEES PTY LIMITED	1,103,720	0.76%
MR DOUGLAS ROBERT BUCHANAN & MRS ROBYN LORRAINE BUCHANAN	1,050,000	0.72%
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	938,291	0.64%
FIVE TALENTS LIMITED	913,607	0.63%
MR RAHMON CHARLES COUPE & MRS JULIA DEBORAH COUPE	874,400	0.60%
DINWOODIE INVESTMENTS PTY LTD	738,766	0.51%
DR PETER ANTHONY STEWART	700,000	0.48%
NURRAGI INVESTMENTS PTY LTD	699,000	0.48%

*Innovative Glaucoma Solutions LLC shareholding subject to voluntary escrow as at 30 June 2022

Corporate Directory

Company & Headquarters

Nova Eye Medical Limited
107 Rundle Street
Kent Town, South Australia, 5067
AUSTRALIA

Directors

Mr V Previn	Chairman
Mr R Coupe	Independent Director
Mr M Southard	Non-executive Director
Mr T Spurling	Managing Director
Mr A Sundich (resigned 24 November 2021)	Non-executive Director

Company Secretary

Simon Gray

Chief Financial Officer

Liam Cook

Independent Auditor

PricewaterhouseCoopers
70 Franklin Street
Adelaide, South Australia, 5001
AUSTRALIA

Australian Share Registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne, VIC, 3001
AUSTRALIA

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

Investor Relations

Mark Flynn
mflynn@nova-eye.com
Phone: +61 416 068 733

Corporate Website

https://www.nova-eye.com

Corporate Governance Statement

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