

Appendix 4E

Preliminary final report

Name of entity

Nova Eye Medical Limited

ABN or equivalent
Company reference

15 007 702 927

Half yearly (tick)

Preliminary final (tick)

Half year/financial year ended

30 June 2021

Results for announcement to the market

Extracts from this report for announcement to the market.

	Consolidated Group		
	Up/down	Movement %	2021FY \$A '000
Revenues from Continuing Operations	Up	5%	to 13,394
Loss from Continuing Operations Before Interest, Tax, Depreciation and Amortisation	Down	36%	to (3,668)
Net Loss from Continuing Operations before Tax	Down	28%	to (5,251)
Net Loss from Continuing Operations after Tax	Down	58%	to (4,356)
Net profit/ (loss) for the Period Attributable to Members	Down	112%	to (4,356)
Dividends (distributions)	Amount per security		Franked amount per security
Final dividend (Preliminary final report only)	13.5 ¢		100%
Interim dividend (Half yearly report only)	Nil ¢		Nil %
Previous corresponding period	Nil ¢		Nil %

NTA Backing

	Consolidated Group	
	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	14.8 ¢	61.5 ¢

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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

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)
- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input checked="" type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> 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: 19 August 2021
(Director)

Print name: Victor Previn



NOVAEYE
MEDICAL.

Annual Report:
Financial Year
Ended 30 June 2021

Corporate Governance



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

The Corporate Governance Statement which was approved by Board of Directors on 26 May 2021 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 2021. On 1 July 2020, the Company changed its name from Ellex Medical Lasers Limited to Nova Eye Medical Limited. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

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

Name

Mr V Previn	Executive Chairman
Mr A Sundich	Non-executive Director
Mr R Coupe	Independent Director
Mr M Southard	Non-executive Director
Mr M Mangano (resigned 31 August 2020)	Independent Director
Mr T Spurling (appointed 31 August 2020)	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 30 years in the laser industry. Mr Previn was responsible for developing and commercialising the technology platform that is now the core of the Company's current production. He has spent more than 3 decades in the ophthalmic laser industry travelling widely throughout Asia, Europe and the USA in a business development capacity. Mr Previn held the position of Managing Director from 2003 to 2005. In July of 2005, Mr Previn was elected Chairman of the Board of Directors. He is also a member of the Audit & Risk Committee, Remuneration Committee and Nomination Committee.

Mr Previn beneficially holds 9,316,031 shares as at 19th August, 2021.

Alex Sundich, *Non-executive Director*

Alex Sundich was appointed a Non-executive Director on 22 July 2005. Alex is currently a Director of Bridge Street Capital Partners, a corporate advisory and principal investment firm. From 2002 to 2008, Alex was a senior Executive in the funds management industry. Prior to this, he was an investment banker with Goldman Sachs and CSFB, involved in mergers and acquisitions and capital raisings. Alex is currently the Chairman of Petrel Energy Limited and Cleveland Mining Industry. He is currently Chairman of the Audit & Risk Committee and Chairman of the Nomination Committee.

Mr Sundich beneficially holds 6,300,000 shares as at 19th August, 2021.

Directors' Report

Rahmon Coupe,
Independent Director

Rahmon Coupe was appointed an Independent Director on 15 May 2013. Mr Coupe is Chief Executive Officer and Director of YourAmigo Limited, an organic search engine solutions company. Mr Coupe has more than 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 and was awarded the Ernst & Young Entrepreneur of the Year in Technology and Emerging Industries for the Central Region of Australia in 2009. He is currently a member of the Remuneration Committee and the Audit & Risk Committee.

Mr Coupe beneficially holds 914,400 shares as at 19th August, 2021.

Mike Southard,
Non-executive Director

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

Mr Southard beneficially holds 20,000 shares as at 19th August, 2021.

Directors' Report

Mike Mangano,
Independent Director
(resigned 31 August
2020)

Mr Mangano was appointed as an Independent Director on 2 July 2018 and resigned on 31 August 2020. Mike Mangano is an accomplished global Executive leader with over 25 years' experience in the medical device industry. Mike is currently the President and CEO of ABK Biomedical Inc., a Canadian based venture backed start-up focused on the development of innovative embolic devices. Prior to ABK, he was the President and CEO of ReShape Medical Inc., a US venture backed company focused on obesity that was sold in October of 2017. Mr Mangano was also President of the Americas for Sirtex Medical for over six years. At Sirtex, Mike grew the business from US\$30 million to over US\$140 million of sales per year, while building a team of 17 to more than 130 employees. Prior to Sirtex, he spent 15 years with Boston Scientific in numerous senior Executive roles, including two overseas positions in Japan and Australia. He has vast experience in sales and marketing management, product development, strategic planning, international business, merger & acquisition, project management and business model development. He currently is a member of the Board of Directors of ABK Biomedical.

Tom Spurling,
Executive Director
(appointed 31 August
2020)

Mr Spurling joined Nova Eye on 1 April 2021 as an Executive of the Group and was appointed a director on 31 August 2020. Tom previously 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 is also a Director of Sparc Technologies Limited (ASX:SPN). Tom holds a Bachelor of Economics from the University of Adelaide and is a member of the Institute of Chartered Accountants of Australia and New Zealand.

Mr Spurling beneficially holds 367,729 shares as at 19th August, 2021.

Company Secretary

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

Principal activities

The principal activities of the Company during the financial period were the design, development, service and marketing, sales and distribution of medical devices to treat eye disease.

Review of operations

For the period ended 30 June 2021, Nova Eye recorded a group loss after tax of \$4,356k. This compares with a loss from continuing operations of \$10,327k in the year ended 30 June 2020 (the prior period). The operating result at an Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) level loss was \$3,668k. This compares with an EBITDA level loss of \$5,748k in the prior period.

Directors' Report

The primary driver of the improved result was the significant improvement in sales and the reduction in operating costs achieved within the Glaucoma Surgical Devices (GSD) segment of the business. The GSD segment recorded an EBITDA level profit of \$101k. This is a material improvement on the EBITDA level loss of \$4,054k in the prior period. Most importantly the GSD segment achieved sales of \$13,088k for the year ended 30 June 2021. This represented growth of 24% measured in constant currency compared with the prior period. The growth was achieved through improved sales and marketing management in the USA, the major market for the Company's products, the establishment of a sales team in Germany to sell direct to eye surgeons from November 2020, replacing the previous distributor channel and, to a lesser extent, sales of the Molteno3[®] glaucoma drainage device following the acquisition of that business at the beginning of August 2020. Sales of the Molteno3[®] device were \$673k for the period.

The Company's AlphaRET segment is responsible for the commercialisation of the 2RT[®] ophthalmic laser. The major commercialisation activity during the year to 30 June 2021 was the preparation and lodgement of an Investigational Device Exemption (IDE) with the USA's Food and Drug Administration (FDA). The IDE was lodged in early July 2021 and it seeks approval from the FDA to conduct a major clinical study to address the efficacy of 2RT[®] in treating selected patients with intermediate age-related macular degeneration (iAMD) to reduce progression to late stage age related macular degeneration. During the year ended 30 June 2021 the AlphaRET segment reported an EBITDA level loss of \$860k as a result of the investment made in the preparation and lodgement of the IDE. During the prior period the AlphaRET segment reported an EBITDA profit of \$259k on sales of \$1,197k. In the 2021 financial year, the preparation of the IDE in support of a definitive clinical study for FDA approval of an indication to treat iAMD patients took priority over marketing and sales of 2RT[®].

Income tax

The loss carry back provisions applied have resulted in an income tax refundable amount of \$1,408k at 30 June 2021.

COVID-19

Nearly all of the revenue for the Company relates to sales to eye surgeons in the USA and Europe. During the 12 months ended 30 June 2021 the Company continued to suffer interruptions to sales as a result of the COVID-19 pandemic in those regions. The closures and access restrictions imposed on surgical facilities in our major markets in the USA and Germany materially impacted both the demand for our glaucoma surgical devices and the ability for our sales team to meet with potential new customers. Sales of glaucoma surgical devices during the northern hemisphere winter months of December 2020, January and February 2021 were particularly negatively impacted by the pandemic.

Glaucoma Surgical Devices

The Company currently manufactures and sells two glaucoma surgical devices: the iTrack[™] Surgical System for patients with mild to moderate glaucoma and Molteno3[®] for patients with later stage severe or complex glaucoma, which was acquired during the year. The global market for glaucoma therapies is estimated at \$5.9 billion.

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

On 1 August 2020, the Company completed the acquisition of the Molteno3[®] glaucoma drainage device business from Molteno Ophthalmic Limited (Molteno), a privately owned ophthalmology company based in Dunedin, New Zealand for a total cash consideration of \$991k AUD.

Directors' Report

The Molteno3[®] glaucoma drainage devices are clinically validated for the treatment of severe or complex glaucoma and complement Nova Eye Medical's existing iTrack™ MIGS portfolio for the treatment of mild-moderate glaucoma. The Molteno3[®] business has sales in approximately 30 countries with growth potential via current iTrack™ global glaucoma device sales and marketing infrastructure, with established reimbursement in the US and other major markets. The Company also acquired the lease on Molteno's current manufacturing facility in Dunedin, New Zealand. This facility is certified in accordance with the ISO13485 standard.

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. The market is valued at US\$5.1 billion annually. 2RT[®] is currently approved to treat Clinically Significant Macular Edema (CSME) in the US and Europe and in patients with early Age-Related Macular Degeneration (AMD) in Europe only (CE Mark designation). These are narrow indications for use.

During the 2021 fiscal year the Company has engaged with the US FDA. The ultimate aim of this engagement is to determine a clinical development pathway that will provide approval to treat patients in the US with intermediate AMD.

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

AlphaRET is the division of Nova Eye responsible for the commercialisation of 2RT[®].

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 2021, the net assets of the consolidated Group decreased by \$65,251k to \$35,335k. This reduction in net assets was largely due to payment of a dividend and return of capital totalling \$61,030k paid 29 July 2020.

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.

Directors' Report

Dividends

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. No options have been issued to Directors or key management personnel.

	Performance Rights	Options
Opening Balance 1 July 2020	Nil	Nil
Issued during year	85,000	897,500
Forfeited during year	-	-
Cancelled during year	-	-
Closing Balance 30 June 2021	85,000	897,500

The options were issued on 8 December 2020 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, \$0.06 each was estimated using the Black-Scholes model.

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

The performance rights were issued on 8 December 2020 and are convertible into ordinary shares in the event the 30-day volume weighted average price of Nova Eye shares exceeds \$0.45 per share. The fair value of the performance rights was \$0.34.

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

Directors' meetings

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

Directors' Report

Directors	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
V Previn	9	9	3	3	1	1	1	1
A Sundich	9	8	3	3	1	1	1	1
R Coupe	9	8	3	3	1	1	1	1
M Mangano*	2	2	-	-	-	-	-	-
M Southard	9	9	-	-	-	-	-	-
T Spurling**	7	7						

* Mr M Mangano resigned as a Director 31 August 2020.

** Mr T Spurling was appointed Executive Director effective 31 August 2020.

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 2021 in accordance with the *Corporations Act 2001* and the Corporations Regulations 2001. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and Executive details
- Remuneration policy for Directors and Executives
- Relationship between the remuneration policy and company performance
- Key terms of employment contracts
- Remuneration of Directors and Executives

Director and Executive details

The Directors of Nova Eye during the year were:

- Victor Previn – Executive Chairman
- Alex Sundich – Non-executive Director
- Rahmon Coupe – Independent Director
- Mike Southard – Non-executive Director
- Mike Mangano – Independent Director (resigned 31 August 2020)
- Tom Spurling – Executive Director (appointed 31 August 2020)

The Group Executive of Nova Eye as at the date of this report was Tom Spurling.

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 Director's receive a Director's fee of \$30,000 per annum. The 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 and Remuneration 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 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.

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 2021:

Performance Summary	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Revenue (i) (ii)	13,394	12,769	16,140	79,250	71,635
EBITDA (ii)	(3,668)	(5,748)	(6,922)	(1,055)	1,579
EBT (ii)	(5,251)	(7,249)	(7,963)	(5,157)	(1,959)
Net (loss)/profit after tax (iii)	(4,356)	35,653	(5,773)	(5,074)	(894)

(i) Revenue includes revenue from sale of goods on ongoing operations as per note 2 in the accounts

(ii) from continuing operations

(iii) total of continuing and discontinued operations

(iv) Effective for 30 June 2019 and 30 June 2020, the Lasers & Ultrasound business were reclassified from continuing to discontinued operations

Historical Share Price	30 June 2021 \$	30 June 2020 \$	30 June 2019 \$	30 June 2018 \$	30 June 2017 \$
Share price at start of year	0.680	0.530	0.610	1.065	0.960
Share price at end of year	0.320	0.680	0.530	0.610	1.065
Interim dividend	-	-	-	-	-
Final dividend	61,030k	-	-	-	-
Attributable to ordinary equity shareholders of the Company					
Basic earnings per share	(3.03)cps	24.83cps	(4.02)cps	(3.78)cps	(0.76)cps
Diluted earnings per share	(3.03)cps	24.83cps	(4.02)cps	(3.78)cps	(0.76)cps
From continuing operations					
Basic earnings per share	(3.03)cps	(7.19)cps	(4.64)cps	(3.78)cps	(0.76)cps
Diluted earnings per share	(3.03)cps	(7.19)cps	(4.64)cps	(3.78)cps	(0.76)cps

Remuneration Report - Audited

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 – Executive Director (appointed 31 August 2020)

- Salary package of \$200,000 exclusive of superannuation to be reviewed annually.
- Employer or employee may terminate employment on giving of 90 days' notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to the base salary for the unexpired period of notice.
- There are no STI/LTI in place for Tom Spurling in his capacity as Executive Director.

Victor Previn – Executive Chairman

- Salary package of \$200,000 exclusive of superannuation to be reviewed annually.
- Employer or employee may terminate employment on giving of 90 days' notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to the base salary for the unexpired period of notice.
- There are no STI/LTI in place for Victor Previn in his capacity as 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:

- Fixed salary/fees
- Benefits – including the provision of motor vehicle, superannuation, and health benefits; and
- Short term incentive (STI) – the performance measures are set annually after consultation with the Directors and Executives and are specifically tailored to the areas where each Executive has a level of control.

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

ii) Remuneration of Directors and Executives 2021FY

2021	Short-term employee benefits				Post-employment benefits		Share-based payment			Other long-term benefits	Total
	Director and committee Fees	Salary and fees	Bonus	Non-monetary benefits	Superannuation	Other	Shares	Options	Rights		
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

* Directors remuneration is displayed on a cash basis. Due to the timing of payroll payments from FY20 to FY21 the amount of salary, fees and also superannuation may vary from the accrued amounts.

** T Spurling received consulting fees during the period prior to becoming an Executive Director.

Remuneration Report - Audited

iii) Remuneration of Directors and Executives 2020FY

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

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

** Salary and fees relate to consultancy services.

*** Includes termination payment of \$80,000

Bonuses granted as compensation – 2021 and 2020

Name	Performance based remuneration								
	Fixed remuneration		Bonus				At Risk		
	2021 %	2020 %	2021 %	2020 %	LTI		2021 %	2020 %	
				2021 %	2020 %				
V Previn	100	100	-	-	-	-	-	-	-
A Sundich	100	100	-	-	-	-	-	-	-
R Coupe	100	100	-	-	-	-	-	-	-
M Southard	100	100	-	-	-	-	-	-	-
M Mangano	100	100	-	-	-	-	-	-	-
T Spurling	100	NA	-	-	-	-	-	-	-

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:

Directors	Beneficiary holdings of Directors and Executives			
	Opening Balance	Received as compensation	Movements	Closing Balance
V Previn*	9,316,031	-	-	9,316,031
A Sundich	6,300,000	-	-	6,300,000
R Coupe	914,400	-	-	914,400
M Southard	20,000	-	-	20,000
M Mangano**	50,000	-	(50,000)	-
T Spurling	367,729	-	-	367,729

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

** M Mangano resigned as a Director effective 31 August 2020

Remuneration Report - Audited

Value of options issued to Directors and Executives

No options were granted or exercised in relation to Directors and Executives during the year on behalf of the Company.

Voting of shareholders at last year's annual general meeting

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

Other transactions with KMP

During the financial year ended 30 June 2021, the following transaction occurred between the Group and its Key Management Personnel:

- Consulting fees of \$164,292 were paid to Tom Spurling prior to his appointment as Executive Director.
- 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 2021 were \$82,500 including GST.
- 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 2021 were \$24,832.50.

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 2021.

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 30 to the financial statements.

Directors' Report

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2021 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, 19 August 2021



Auditor's Independence Declaration

As lead auditor for the audit of Nova Eye Medical Limited for the year ended 30 June 2021, 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.

A handwritten signature in black ink, appearing to be 'M. T. Lojszczyk', written over a light grey circular watermark.

M. T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
19 August 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2021

	Note	Consolidated Group	
		2021 \$'000	2020 \$'000
Revenue	2	13,394	12,769
Other income	4(a)	467	129
Foreign exchange gain		(482)	(140)
Changes in inventories of finished goods and work in progress		(33)	123
Raw materials and consumables used		(2,210)	(3,145)
Employee benefits expenses		(7,868)	(9,948)
Depreciation and amortisation expense	4(b)	(1,515)	(1,438)
Facility and property expenses		(1,503)	(109)
Legal fees		(66)	(267)
Impairment expense		-	-
Advertising and marketing		(731)	(668)
Congress expenses		-	(5)
Finance costs	3	(68)	(63)
Travel expenses		(271)	(665)
Consulting fees		(2,770)	(2,590)
Other expenses		(1,593)	(1,232)
Profit / (Loss) before income tax from continuing operations		(5,251)	(7,249)
Income tax (expense)/ benefit	5	894	(3,078)
Profit / (Loss) for the year from continuing business		(4,356)	(10,327)
Profit / (Loss) after tax from discontinued operations	27	-	45,980
Profit / (Loss) after tax for the period		(4,356)	35,653

Notes to the financial statements are included on pages 22 to 68.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2021 (continued)

	Note	Consolidated Group	
		2021 \$'000	2020 \$'000
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translating foreign operations		3	(1,393)
Exchange differences relating to discontinued operations		-	(2,470)
Total exchange differences relating to foreign operations		3	(3,863)
Total comprehensive income for the year		(4,353)	31,790
Earnings per share:			
From continuing operations:			
Basic (cents per share)	17	(3.03)	(7.19)
Diluted (cents per share)	17	(3.03)	(7.19)
From discontinued operations:			
Basic (cents per share)		-	32.02
Diluted (cents per share)		-	32.02
From profit attributable to the ordinary equity holders of the company:			
Basic (cents per share)	17	(3.03)	24.83
Diluted (cents per share)	17	(3.03)	24.83

Notes to the financial statements are included on pages 22 to 68.

Consolidated Statement of Financial Position as at 30 June 2021

	Note	Consolidated Group	
		2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	26(a)	17,801	95,649
Trade and other receivables	6	4,020	3,828
Income tax refund receivable		1,408	-
Inventories	7	2,901	2,934
Prepayments		196	494
Total current assets		26,326	102,905
Non-current assets			
Trade and other receivables	6	64	48
Property, plant and equipment	8	1,334	1,178
Lease right of use asset	9	2,172	1,734
Intangible assets	10	3,443	3,341
Capitalised development expenditure	11	8,655	7,536
Deferred tax assets		-	-
Total non-current assets		15,668	13,837
Total assets		41,994	116,742
Current liabilities			
Trade and other payables	12	2,003	3,826
Borrowings and lease obligations	13	1,938	1,909
Provisions	14	746	472
Current tax liabilities		-	8,151
Total current liabilities		4,687	14,358
Non-current liabilities			
Borrowings and lease obligations	13	1,760	1,433
Provisions	14	76	50
Deferred tax liability	5	136	315
Total non-current liabilities		1,972	1,798
Total liabilities		6,659	16,156
Net assets		35,335	100,586
Equity			
Issued capital	20	36,678	78,311
Reserves	15	(2,235)	(2,359)
Accumulated (losses)/ profits	16	892	24,634
Total Equity		35,335	100,586

Notes to the financial statements are included on pages 22 to 68.

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2021

	Issued capital \$'000	Other reserves \$'000	Foreign currency reserve \$'000	Accumulated (losses)/ profits \$'000	Total \$'000
Balance at 30 June 2019	78,311	142	1,504	(11,161)	68,796
Total of transactions with owners	-	-	-	-	-
Profit/(Loss) for the year	-	-	-	35,653	35,653
Transfer to retained earnings	-	(142)	-	142	-
Other comprehensive income	-	-	(3,863)	-	(3,863)
Total comprehensive income	-	(142)	(3,863)	35,795	31,790
Balance at 30 June 2020	78,311	-	(2,359)	24,634	100,586
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	-	-	3	(4,356)	(4,353)
Balance at 30 June 2021	36,678	121	(2,356)	892	36,335

Notes to the financial statements are included on pages 22 to 68.

Consolidated Statement of Cash Flows for the financial year ended 30 June 2021

	Note	Consolidated Group	
		2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers		13,613	79,353
Grant income received		27	858
Payments to suppliers and employees		(17,864)	(74,019)
Interest and other costs of finance paid		(68)	(375)
Income tax paid		(8,852)	(417)
Net cash (used in)/provided by operating activities	26(b)	(13,144)	5,400
Cash flows from investing activities			
Interest received		239	52
Payment for property, plant and equipment		(383)	(264)
Payment for purchase of business, net of cash acquired		(991)	-
Payment for Investments		-	(97)
Proceeds from sale of plant and equipment		-	144
Payment for intangible assets		(426)	(679)
Payments for capitalised development costs		(1,419)	(719)
Proceeds from Sale of Business	27	-	97,347
Cash outflow on disposal of subsidiaries	27	-	(7,476)
Net cash used in investing activities		(2,980)	88,308
Cash flows from financing activities			
Repayment of mortgage		-	(12,309)
Repayment of leases principle		(582)	(980)
Payment of dividend		(19,386)	
Payment of capital		(41,644)	
Net cash provided by financing activities		(61,612)	(13,289)
Net (Decrease)/ increase in cash and cash equivalents		(77,736)	80,419
Cash and cash equivalents at the beginning of the financial year		95,649	15,183
Effects of exchange rate changes on the balance of cash held in foreign currencies		(112)	47
Cash and cash equivalents at the end of the financial year	26(a)	17,801	95,649

Cash flows of discontinued operations are disclosed in note 27

Notes to the financial statements are included on pages 22 to 68.

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

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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 2021 is 107 Rundle Street, Kent Town, South Australia, 5067.

The consolidated financial statements for the year ended 30 June 2021 were approved and authorised for issue by the Board of Directors on 19th August 2021.

Basis of preparation

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

The Lasers & Ultrasound business of the group was sold on 30 June 2020 and has been treated as a discontinued operation in the comparatives.

Accounting Policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2021 and the comparative information presented in these financial statements for the year ended 30 June 2020.

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.

Notes to the financial statements

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.

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.

Notes to the financial statements

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.

Notes to the financial statements

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

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

(v) Impairment of non-financial assets

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

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

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

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

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

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

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

Notes to the financial statements

(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 23 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.

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 2021 or in 2020.

Glaucoma Surgical Devices

For the 2021 and 2020 reporting periods, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate stated below. Impairment testing at 30 June 2021 included an assessment of the impact of COVID-19 on future sales. During December

Notes to the financial statements

2020, January 2021 and February 2021 sales were negatively impacted by temporary closures of ophthalmic surgery centres as a result of the pandemic. The Company has experienced a normalisation of activity for iTrack™ surgery since March 2021.

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

	30 June 2021	30 June 2020
Glaucoma Surgical Devices		
Sales growth (% average annual growth rate)	17	19
Sales prices (% average annual growth rate)	0.0	0.0
Long-term growth rate (%)	2.0	2.0
WACC (%) post tax	9.92	11.92

AlphaRET

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

	30 June 2021	30 June 2020
AlphaRET		
Historical actual cost incurred in the development of the IP		
Expected developers profit margin	23.5%	19.1%
Opportunity cost estimated using a Weighted average cost of capital (WACC)	9.92%	11.92%

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

Assessment of a reasonable change in assumptions (+/- 5% on sales growth, and +/-2% on WACC) does not give rise to any potential impairment in relation to the carrying value of 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.

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.

Notes to the financial statements

(a) Revenue from the sale of goods

	Consolidated Group	
	2021 \$'000	2020 \$'000
Revenue from the sale of goods	13,394	12,769
Total revenue from continuing operations	13,394	12,769

3. Finance costs

	Consolidated Group	
	2021 \$'000	2020 \$'000
Interest on bank overdrafts, trade finance and loans	(5)	(58)
Interest on obligations under leases	(63)	(5)
Total finance costs	(68)	(63)

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.

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.

Notes to the financial statements

	Consolidated Group	
	2021 \$'000	2020 \$'000
Grant income	27	30
Interest	239	52
Other income	201	47
Total other income	467	129

Other income includes finalisation of the sale of the Lasers & Ultrasound business.

(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	
	2021 \$'000	2020 \$'000
Cost of goods sold	4,510	4,407
Depreciation of property, plant and equipment	818	889
Amortisation of intangible assets	697	549
Total depreciation and amortisation expense	1,515	1,438

Notes to the financial statements

5. Income Tax

Current tax

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

The Group is eligible for research and development (“R&D”) tax offsets which are used to reduce current year taxes payable. Any unused tax offsets are carried forward and are recognised as a deferred tax asset 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	
	2021 \$'000	2020 \$'000
Tax expense/(benefit) comprises:		
Current tax expense	(715)	8,602
Deferred tax expense/(benefit)	(179)	8,975
Total tax expense/(benefit)	(894)	17,577
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	(5,251)	(7,249)
Profit from discontinued operations before tax	-	60,499
Profit/(Loss) from operations	(5,251)	53,250
Prima facie income tax expense/(benefit) at statutory corporate tax rate in Australia of 26% (i) (2020:30%)	(1,365)	15,975
Non-deductible expenses	132	392
Effect of different tax rates of tax on overseas income	-	459
Other – Research and Development Tax Concession	-	(99)
Capital gain on shares - difference in the tax base	-	(4,325)
Derecognition of carry forward losses	-	6,284
Other	(542)	(288)
Under/(over) provision of income tax in previous year	881	(821)
Total income tax expense/ (benefit)	(894)	17,577
Continuing operations	(894)	3,078
Discontinued operations	-	14,499
Total	(894)	17,577

- (i) The tax rate used in the above reconciliation is the corporate tax rate of 26% 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%.

Notes to the financial statements

(a) Deferred tax balances

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

2021 Continuing operations	Consolidated Group			30/06/21 \$'000
	1/07/20 \$'000	Charged to Profit and Loss \$'000	Charged to Equity \$'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
Temporary difference on unrealised intercompany profits				
Other	802	356	-	1,158
	(579)	(315)	-	(894)
Tax losses and credits				
New Zealand - Moltano Ophthalmic Limited (NB)	-	-	-	-
Germany – Nova Eye Medical GmbH	-	-	-	-
Tax losses (USA - Nova Eye Inc, formerly Ellex iScience Inc.)	264	494	-	758
Australia – Nova Eye Medical Ltd Group	-	-	-	-
	(315)	179	-	(136)

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

2020	Consolidated Group			30/06/20 \$'000
	1/07/19 \$'000	Charged to Income \$'000	Charged to equity \$'000	
Temporary differences				
Property, plant and equipment	114	(113)	-	1
Intangibles	373	(344)	-	29
Capitalised development costs	(1,668)	(230)	-	(1,898)
Section 40-880 deductions	464	(43)	-	421
Provisions	63	3	-	66
Temporary difference on unrealised intercompany profits	-	-	-	-
Other	385	417	-	802
	269	(310)	-	(579)

	Consolidated Group			30/06/20 \$'000
	1/07/19 \$'000	Charged to Income \$'000	Charged to Equity \$'000	
Tax losses and credits				
Tax losses (USA – Nova Eye, Inc.)	3,487	(3,223)	-	264
Unused Research and Development tax offset	4,850	(4,850)	-	-
	8,068	-	-	-
Discontinued operations	592	(592)	-	-
	8,660	(8,975)	-	(315)

(c) Tax losses

	2021 \$'000	2020 \$'000
Unused tax losses for which no deferred tax asset has been recognised		
New Zealand - Molteno Ophthalmic Limited	-	-
Germany - Tax losses Nova Eye Medical GmbH	-	-
USA - Tax losses - Nova Eye, Inc.	13,240	14,004
Australia - Nova Eye Medical Limited Group	-	-
Potential tax benefit @ 30%*	3,310	4,201

* being approximate average applicable rate in USA.

Notes to the financial statements

(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.

Notes to the financial statements

	Consolidated Group	
	2021 \$'000	2020 \$'000
Current		
Trade receivables	1,909	1,690
Allowance for doubtful debts	-	-
	1,909	1,690
Other receivables	2,079	2,018
Goods and services tax (GST) recoverable	32	120
	4,020	3,828
Non-Current		
Sundry receivables	64	48
	64	48

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.

	1-30 days	30 - 60 days	60 - 90 days	90 - 120 days	Total
30 June 2021					
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount - trade receivables	1,619	205	31	54	1,909
30 June 2020					
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount - trade receivables	1,190	45	174	281	1,690

7. Inventories

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

Notes to the financial statements

	Consolidated Group	
	2021 \$'000	2020 \$'000
Raw materials – at cost	539	755
Work in progress – at cost	286	-
Finished goods – at cost	2,076	2,179
Total current inventories	2,901	2,934
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:

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

	Capital WIP \$'000	Land \$'000	Building at cost \$'000	Plant & Equipment at cost \$'000	Total \$'000
Gross carrying amount					
Balance at 30 June 2019	411	2,200	4,791	17,431	24,833
Additions	-	-	-	264	264
Transfers to/(from) capital WIP	(411)	-	-	411	-
Disposals	-	-	-	-	-
Transferred out on discontinued operations	-	(2,200)	(4,791)	(16,171)	(23,162)
Net foreign currency exchange difference	-	-	-	28	28
Balance 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

Notes to the financial statements

	Capital WIP \$'000	Land \$'000	Building at cost \$'000	Plant & Equipment at cost \$'000	Total \$'000
Accumulated depreciation					
Balance at 30 June 2019	-	-	(256)	(10,847)	(11,103)
Depreciation – continued operations	-	-	-	(889)	(889)
Depreciation – discontinued operations	-	-	(86)	(769)	(855)
Disposals	-	-	-	-	-
Transferred out on discontinued operations	-	-	342	11,720	12,062
Net foreign currency exchange differences	-	-	-	-	-
Balance at 30 June 2020	-	-	-	(785)	(785)
Depreciation – continued operations	-	-	-	(312)	(312)
Disposals	-	-	-	-	-
Net foreign currency exchange differences	-	-	-	110	110
Balance at 30 June 2021	-	-	-	(987)	(987)
Net book value					
As at 30 June 2020	-	-	-	1,178	1,178
As at 30 June 2021	-	-	-	1,334	1,334

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
Gross carrying amount		
Balance at 1 July 2020	1,734	1,734
Additions	1,070	1,070
Transferred to discontinued operations	-	-
Amortisation	(485)	(485)
Net foreign currency exchange difference	(147)	(147)
Balance at 30 June 2021	2,172	2,172

Notes to the financial statements

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

10. Intangible assets

Patents, trademarks and licences

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

Intellectual Property

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

Notes to the financial statements

	Consolidated Group			
	Intellectual Property \$'000	Patents & Trademarks \$'000	Brand \$'000	Total \$'000
Carrying amount				
Balance at 30 June 2019	4,228	2,774	-	7,002
Additions / disposals	-	679	-	679
Foreign currency exchange differences	82	(32)	-	50
Transfer out on sale of Lasers & Ultrasound Business	-	(1,191)	-	(1,191)
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
Accumulated amortisation and impairment				
Balance at 30 June 2019	(2,318)	(653)	-	(2,971)
Additions / disposals	-	(115)	-	(115)
Amortisation	(296)	(95)	-	(391)
Transfer – internal reallocation	(180)	180	-	-
Foreign currency exchange differences	-	3	-	3
Transfer out on sale of Lasers & Ultrasound Business	-	275	-	275
Balance at 30 June 2020	(2,794)	(405)	-	(3,199)
Additions / disposals	-	-	-	-
Amortisation	(412)	(104)	-	(516)
Foreign currency exchange differences	182	16	-	198
Balance at 30 June 2021	(3,024)	(493)	-	(3,517)
Net book value				
As at 30 June 2020	1,516	1,825	-	3,341
As at 30 June 2021	987	2,042	414	3,443

Notes to the financial statements

11. Capitalised development expenditure

Consolidated
Group
\$'000

Gross carrying amount	
Balance at 30 June 2019	29,819
Additions	719
Foreign currency exchange differences	(15)
Transfer out discontinued operations	(22,892)
Balance at 30 June 2020	7,631
Additions	1,419
Foreign currency exchange differences	(128)
Balance at 30 June 2021	8,922
Accumulated amortisation and impairment	
Balance at 30 June 2019	(14,511)
Amortisation expense	(107)
Transfer out discontinued operations	14,523
Balance at 30 June 2020	(95)
Amortisation expense	(162)
Foreign currency exchange differences	(10)
Balance at 30 June 2021	(267)
Net book value	
As at 30 June 2020	7,536
As at 30 June 2021	8,655

Development expense/capitalised development costs

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Notes to the financial statements

- Capitalised development costs 5 – 10 years

Capitalised development at 30 June 2021 includes \$8.01m of expenditure on products that have not yet been commercialised. Of this amount, \$6.73m relates to 2RT[®] with the remaining relating to the pipeline of other new products within the glaucoma surgical devices segment.

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.

	Consolidated Group	
	2021 \$'000	2020 \$'000
Current		
Finance lease liabilities	516	355
Other loans (unsecured)*	1,422	1,554
	1,938	1,909
Non-Current		
Finance lease liabilities	1,760	1,433
	1,760	1,433

*During the prior period the group received an interest free Payroll Protection Program Loan amount of \$1,068k USD as part of a US Government stimulus related to the COVID-19 pandemic. This is treated as a loan until/unless forgiven.

Summary of borrowing arrangements

As of 30 June 2021, 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

Notes to the financial statements

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.

	Consolidated Group	
	2021 \$'000	2020 \$'000
Current		
Employee benefits	744	464
Warranty (i)	2	8
	746	472
Non-Current		
Employee benefits (ii)	76	50

(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.

Notes to the financial statements

Consolidated Group

Warranty (i)	\$'000
Balance at 30 June 2019	372
Additional provisions recognised	494
Amounts used	(456)
Amounts transferred out on sale of Lasers & Ultrasound business	(402)
Balance at 30 June 2020	8
Additional provisions recognised	-
Amounts used	(6)
Balance at 30 June 2021	2

(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	
	2021 \$'000	2020 \$'000
Leave obligations expected to be settled after 12 months	76	50

15. Reserves

	Consolidated Group	
	2021 \$'000	2020 \$'000
Foreign currency translation reserve (i)		
Balance at beginning of financial year	(2,359)	1,504
Translation of foreign operations transferred to profit and loss on sale	-	(2,470)
Translation of continuing foreign operations	3	(1,393)
Balance at end of financial year	(2,356)	(2,359)
Other reserves (ii)		
Balance at beginning and end of financial year	-	142
Transfer to retained earnings	-	(142)
Share based payments	121	
Balance at end of financial year	121	-
Total Reserves	(2,235)	(2,359)

- (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.#

Notes to the financial statements

16. Accumulated profits / losses

	Consolidated Group	
	2021 \$'000	2020 \$'000
Balance at the beginning of the financial year	24,634	(11,161)
Movement with non-controlling interest	-	142
Payment of dividend	(19,386)	-
Net income (loss) attributable to members of the parent entity	(4,356)	35,653
Balance at end of financial year	892	24,634

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.

	Consolidated Group	
	2021 cents	2020 cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(3.03)	(7.19)
From discontinued operation	-	32.02
Total basic earnings per share attributable to the ordinary equity holders of the company	(3.03)	24.83
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(3.03)	(7.19)
From discontinued operation	-	32.02
Total diluted earnings per share attributable to the ordinary equity holders of the company	(3.03)	24.83

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:

Notes to the financial statements

	Consolidated Group	
	2021 \$'000	2020 \$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	(4,356)	(10,327)
From discontinued operation	-	45,980
Net Profit / (loss)	(4,356)	35,653

	Consolidated Group	
	2021 No.	2020 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	143,643,638	143,601,138
Weighted average number of ordinary shares for the purposes of diluted earnings per share	143,643,638	143,601,138

18. Dividends

	2021		2020	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Final dividend – franked to 30%	0.135	19,386	Nil	Nil
Capital Return	0.290	41,644	-	-

	Consolidated Group	
	2021 \$'000	2020 \$'000
Adjusted franking account balance	6,833	3,797

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:

Notes to the financial statements

Employee Options

	Consolidated Group 30 June 2021	
	Average exercise price per share option	Number of options
Balance as at 1 July 2019	-	-
Granted during year	0.55	872,729
Exercised during year	-	-
Forfeited during year	0.55	(509,091)
Cancelled during year	0.55	(363,638)
Balance as at 30 June 2020	-	-
Vested and exercisable as at 30 June 2020	-	-
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

#

The assessed fair value at grant date of options granted during the period ended 30 June 2021 was \$0.06. The fair value at grant date is determined using Black-Scholes Model. The model inputs for options granted during the period ended 30 June 2021 included:

- (a) Options are granted for no consideration and vest at specified dates, commencing 8 December 2020. Vested options are exercisable for a period of 36 months after vesting
- (b) Exercise price: \$0.50
- (c) Grant date: 8th of December 2020
- (d) Expiry date: 36 months from the vesting date
- (e) Share price at grant date: \$0.34
- (f) Expected price volatility of the company's shares: 15%
- (g) Risk-free rate: 3%

The assessed fair value at grant date of options granted during the period ended 30 June 2020 was \$0.23. The fair value at grant date is determined using Black-Scholes Model. The model inputs for options granted during the period ended 30 June 2020 included:

- (a) Options are granted for no consideration and vest over a four-year period. Vested options are exercisable for a period of ten years after vesting.
- (b) Exercise price: \$0.55
- (c) Grant date: 1 October 2019
- (d) Expiry date: 1 October 2029

Notes to the financial statements

- (e) Share price at grant date: \$0.55
- (f) Expected price volatility of the company's shares: 54.92%
- (g) Risk-free rate: 1.36%

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

Performance Rights

Consolidated Group
30 June 2020

	Number of Performance rights
Balance as at 1 July 2020	-
Rights granted during year	170,000
Rights exercised during year	(85,000)
Balance as at 30 June 2021	85,000

- (a) Performance rights issued on 8 December 2020
- (b) Performance rights to convert to ordinary shares when the 30-day volume weighted share price reaches \$0.45
- (c) The performance rights will expire on 8 December 2023

The fair value of the performance rights was \$0.34.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment during the period is \$132k (2020: nil).

Notes to the financial statements

20. Issued capital

Ordinary shares are classified as equity.

	Consolidated Group			
	2021 \$'000		2020 \$'000	
143,686,138 fully paid ordinary shares (2020: 143,601,138)	36,678		78,311	
	Company 2021		Company 2020	
	No. '000	\$'000	No. '000	\$'000
Fully paid ordinary shares				
Balance at beginning of financial year	143,601	78,311	143,601	78,311
Return of capital	-	(41,644)	-	-
Issue of shares under employee share scheme	-	11	-	-
Balance at end of financial year	143,686	36,678	143,601	78,311

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

21. Commitments and contingencies

Commitments

Contractual commitments for the acquisition of property, plant, and equipment as at 30 June 2021 are nil (2020: 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. Acquisition of Molteno Business

On 1 August 2020 the Company, through a newly incorporated subsidiary, acquired the business assets of a company (Molteno Ophthalmic Limited) owned by the Molteno family, the founders of that business for a total consideration of NZD \$1,062k (AUD \$991k). The consideration was paid in cash. The newly incorporated subsidiary subsequently changed its name to Molteno Ophthalmic Limited. The details of the fair value of the assets acquired on 1 August 2020 were as follows:

Notes to the financial statements

Consolidated Group
2021
\$'000

Current assets	
Accounts receivable	34
Inventory	405
Non Current assets	
Plant and equipment	14
Medical device manufacturing facility, Dunedin, NZ	182
Intangibles - brand	356
Total consideration for assets acquired	991

23. Subsidiaries

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

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

As disclosed in note 27, the Group sold its Lasers & Ultrasound business segment during the prior year. As part of this sale process, the group restructured the entities and operations during last year. The group structure and the subsidiaries were as follows at year end:

Name of Entity	Country of Incorporation	Ownership Interest	
		2021 %	2020 %
Parent Entity			
Nova Eye Medical Lasers Limited (i) (formerly Ellex Medical Lasers Limited)	Australia	100	100
Subsidiaries			
Nova Eye Operations Pty Ltd	Australia	100	-
AlphaRET Pty Ltd (formerly Nova Eye R&D Pty Ltd)	Australia	100	100
Innovative Imaging, Inc.	USA	100	100
Nova Eye Medical GmbH	Germany	100	-
Nova Eye, Inc.	USA	100	100
Nova Eye Hong Kong Ltd (formerly Ellex Hong Kong Limited)	Hong Kong	100	100
Molteno Ophthalmic Limited (formerly Nova Eye Acquisition Limited)	New Zealand	100	-

(i) As of 30 June 2021, Nova Eye Medical Ltd 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

24. Segment information

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

Identification of reportable segments

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

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

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

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

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

Glaucoma Surgical Devices

The Glaucoma Surgical Devices segment includes the design, manufacture, marketing and sale of the iTrack™ Surgical System 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-pulse 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, as the Chief Decision Maker's with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

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

Notes to the financial statements

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

Segment liabilities

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

Unallocated items

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

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

Notes to the financial statements

(b) Segment assets

	AlphaRET \$'000	Glaucoma Surgical Devices \$'000	Total \$'000
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			
Inter-segment eliminations			-
Unallocated assets			21,044
Total group assets			41,994
Year ended 30 June 2020			
Segment assets – opening	6,694	14,745	21,439
Segment asset changes for the period:			
Net movement in segment assets	516	(2,374)	1,858
Total segment assets	7,210	12,371	19,580
Reconciliation of segment assets to group assets			
Inter-segment eliminations			-
Unallocated assets (i)			97,162
Total group assets			116,742

Notes to the financial statements

(c) Segment liabilities

	AlphaRET \$'000	Glaucoma Surgical Devices \$'000	Total \$'000
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			
Unallocated liabilities:			
Current tax payable			-
Deferred tax liability			136
Other unallocated liabilities			-
Total liabilities			6,659
Year ended 30 June 2020			
Segment liabilities – opening	670	3,138	3,808
Segment liabilities changes for the period:			
Net movement in segment liabilities	(448)	946	498
Total segment liabilities	222	4,084	4,306
Reconciliation of segment liabilities to group liabilities			
Unallocated liabilities:			
Current tax payable			8,151
Deferred tax liability			315
Other unallocated liabilities			3,384
Total liabilities			16,156

Notes to the financial statements

d) Revenue by geographical region

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

	2021 \$'000	2020 \$'000
Australia	75	78
United States of America	9,036	8,302
Europe/Middle East	3,167	3,356
Japan	-	-
Asia	992	959
South America and other	124	74
Total revenue	13,394	12,769

(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:

	2021 \$'000	2020 \$'000
Australia	7,833	6,788
United States of America	7,137	7,049
Europe/Middle East	2	-
Japan	-	-
Asia	-	-
New Zealand	697	-
Total assets	15,668	13,837

25. 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 23 to the financial statements.

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

During the year ended 30 June 2021 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 \$44,935k (2020: \$44,716k) are receivable from subsidiaries which have been eliminated on consolidation.

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

Notes to the financial statements

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- Consulting fees of \$0 (2020: \$78,500) were incurred with XMN Inc, a director related entity of Mr Southard.
- 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 2021 were \$82,500 including GST.
- 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 2021 were \$24,832.50.
- Consulting fees \$164,292 (2020:\$187,500) were incurred with Tom Spurling, who was appointed as a Director of Nova Eye Medical Limited on 31 August 2020.
- Amounts payable to directors/related parties (related to remuneration paid in arrears):

Name	2021 \$	2020 \$
V Previn	-	20,588
A Sundich	-	16,425
M Southard	-	18,124
M Mangano	-	18,124
R Coupe	-	16,425
T Spurling	-	-

- Director fees are paid on a monthly basis in arrears and all superannuation expenses were paid up to and including 30 June 2021 prior to the end of the period.

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Notes to the financial statements

(c) Key management personnel compensation

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

	Consolidated Group	
	2021 \$	2020 \$
Short term employee benefits	493,121	863,171
Post-employment benefits	39,270	73,230
Share based payments	-	-
Other long-term benefits	-	2,381
Termination benefits	-	80,000
	532,391	1,018,782

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

26. 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	
	2021 \$'000	2020 \$'000
Cash and cash equivalents	17,801	95,649
Bank overdraft	-	-
	17,801	95,649

Notes to the financial statements

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

	Consolidated Group	
	2021 \$'000	2020 \$'000
Profit / (Loss) for year	(4,536)	35,653
Depreciation and amortisation of non-current assets	1,515	3,465
Loss on disposal of property, plant and equipment	-	-
Release of grant income	-	(719)
Gain on sale of subsidiaries	-	(55,808)
Gain / loss of sale of fixed assets	-	21
Tax losses written off	-	4,593
	(3,021)	(12,795)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Current and non-current receivables	(1,616)	14,393
Decrease/(increase) in tax balances	(8,151)	12,665
Current and non-current inventories	33	3,778
Other assets	298	(2,405)
Current and non-current payables	(1,823)	(10,962)
Other current and non-current liabilities	1,136	726
	(10,123)	18,195
Net cash from operating activities	(13,144)	5,400

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	
	2021 \$'000	2020 \$'000
Cash and cash equivalents	17,801	95,649
Borrowings- repayable within 12 months (including overdraft)	(1,938)	(1,909)
Borrowings- repayable after 12 months	(1,760)	(1,433)
Net cash / (debt)	14,103	92,307

	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 2019	15,183	(125)	(42)	(14,725)	-	291
Cash flows (net)	80,466	(230)	(1,391)	13,171	-	92,016
Bank overdraft usage	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-	-
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

27. Sale of Lasers & Ultrasound business in 2020 – Discontinued Operations (comparatives)

Description

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

Financial Performance and cash flow information

The financial information below reflects the discontinued operations for the period ended 30 June 2020 and shows the discontinued operations did not impact the period 30 June 2021.

Notes to the financial statements

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

	Consolidated Group	
	2021 \$'000	2020 \$'000
Revenue	-	67,453
Other income	-	1,771
Foreign exchange gain	-	437
Changes in inventories of finished goods and work in progress	-	(15,530)
Raw materials and consumables used	-	(15,452)
Employee benefits expenses	-	(20,158)
Depreciation and amortisation expense	-	(2,026)
Facility and property expenses	-	(1,096)
Legal fees	-	(818)
Advertising and marketing	-	(1,437)
Congress expenses	-	(376)
Finance costs	-	(314)
Product development expenses	-	(2,045)
Travel expenses	-	(1,720)
Consulting fees	-	(825)
Other expenses	-	(3,173)
Profit / (Loss) before income tax from discontinued operations	-	4,691
Income tax (expense)/ benefit	-	(1,355)
Profit / (Loss) for the year from discontinued business	-	3,336
Gain on sale of Lasers & Ultrasound business (refer below)	-	42,644
Profit from discontinued operations	-	45,980
Other comprehensive income / (loss) from discontinued operations	-	(2,470)
Total comprehensive income / (loss) from discontinued operations	-	43,510

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

	2021 \$'000	2020 \$'000
Net cash inflow/ (outflow) from operating activities	-	10,581
Net cash inflow/ (outflow) from investing activities	-	(9,199)
Net cash inflow/ (outflow) from financing activities	-	(4,785)
Net cash inflow/ (outflow) from discontinued operations	-	(3,403)

Notes to the financial statements

(c) Details of the sale of the subsidiary

	2021 \$'000	2020 \$'000
Consideration received or receivable:		
Cash (ii)	-	97,347
Assumption of bank borrowings (i)	-	4,520
Total disposal consideration	-	101,867
Carrying amount of net assets sold	-	(43,536)
Costs of transaction	-	(2,523)
Gain on sale before income tax and reclassification of foreign currency translation reserve	-	55,808
Income tax expense on gain	-	(13,144)
Gain on sale after income tax	-	42,664

- i. In accordance with the sale and purchase agreement, the buyer assumed company's bank borrowings of \$4,520k relating to the Lasers & Ultrasound business and directly paid the Company's bankers on the day of the settlement.
- ii. The cash consideration also includes \$2,000k of Escrow funds which will be released on the fulfilment of certain obligations by the seller as stipulated in the sale and purchase agreement. The Escrow period is 12 months from the date of the settlement of the transaction. Escrow proceeds were received on 22 July 2021.

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

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

Notes to the financial statements

28. 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:

	Note	Consolidated Group	
		2021 \$'000	2020 \$'000
Financial assets			
Cash and cash equivalent	26(a)	17,801	95,649
Trade and Other receivables	6	4,084	3,876
Total financial assets		21,885	99,525
Financial liabilities			
Trade and other payables	12	2,003	3,826
Borrowings	13	3,698	3,342
Mortgage		-	-
Total financial liabilities		5,701	7,168

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.

Notes to the financial statements

(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 2021 or 2020.

(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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
USD	1,422	1,554	1,172	787
Euro	-	-	132	-
NZD	-	-	197	-

(f) Foreign currency sensitivity analysis

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

	Euro Impact Consolidated		USD Impact Consolidated		New Zealand Dollars Consolidated	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Profit or loss	-	-	142	156	-	-

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

Notes to the financial statements

(g) Interest rate risk management

As of 30 June 2021, and 30 June 2020 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 groups exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually. The consolidated group measures credit risk on a fair value basis.

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

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

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

(i) Fair value of financial statements

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

(j) Liquidity risk management

The consolidated group currently has sufficient cash at bank to meet its operational objectives within a reasonable time horizon. The COVID-19 pandemic caused a downturn in business during April to June 2020 and December 2020 to February 2021 as ophthalmic surgery centres were closed or partially closed. This in turn impacted the level of cash reserves.

(k) Maturity profile of financial instruments

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

Notes to the financial statements

2021	Interest rate maturity					Total \$'000
	Less than 1 month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	5+ years \$'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
Payable to Directors	-	-	-	-	-	-
	3,472	95	440	1,702	170	5,879

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

29. 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	
	2021 \$'000	2020 \$'000
Statement of Financial Position		
Total current assets	65,568	140,710
Total non-current assets	2,837	1,447
Total assets	68,405	142,157
Total current liabilities	(1,938)	(11,471)
Total non-current liabilities	(269)	(50)
Total liabilities	(2,207)	(11,521)
Share capital	36,678	78,311
Reserves	122	(10,966)
Accumulated profit / (losses)	29,431	63,291
Total Equity	66,199	130,636
Statement of Profit or Loss and Other Comprehensive Income		
(Loss)/profit for the year	(2,767)	73,893
Total comprehensive income	(1,882)	63,291

Notes to the financial statements

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 23 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 2021 are nil (2020: nil).

(b) Contingent liabilities

There are no contingent liabilities.

30. Remuneration of auditors

	Consolidated Group	
	2021 \$	2020 \$
Audit or review of the financial report		
Grant Thornton France	-	8,000
PricewaterhouseCoopers	85,350	174,208
	85,350	182,208

The auditors of Nova Eye Medical Limited are PricewaterhouseCoopers.

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

- Other: nil (2020: \$9,500).

These services do not breach auditor independence.

31. 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.

Notes to 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 2021 and of its performance for the financial year ended on that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that Nova Eye Medical Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.

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

Signed in accordance with a resolution of the Directors:



On behalf of the Directors Victor Previn

Chairman

Adelaide, 19 August 2021



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 2021 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 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
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Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of \$262,000, which represents approximately 5% of the Group's loss before tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group loss before tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group's operations were mainly based in Australia, the United States 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.

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Key audit matters

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

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impairment assessment of non-current assets</i> <i>(Refer to note 1(ix))</i></p> <p>The consolidated statement of financial position includes property, plant and equipment of \$1,334,000, intangible assets of \$3,443,000 and capitalised development expenditure of \$8,655,000 as at 30 June 2021.</p> <p>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 2021.</p> <p>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.</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> 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. <p>We also performed the following procedures for the value in use model:</p> <ul style="list-style-type: none"> 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. <p>Additionally, the following procedures were performed for the fair market valuation:</p> <ul style="list-style-type: none"> considered the competence, qualifications, experience and objectivity of the valuer who prepared the fair market valuation. evaluated whether the methodology used to determine the fair market value was in 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.

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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 2021 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 10 to 14 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Nova Eye Medical Limited for the year ended 30 June 2021 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

M. T. Lojszczyk
Partner

Adelaide
19 August 2021

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Number of holders of equity securities

Ordinary share capital

143,686,138 fully paid ordinary shares are held by 3,666 individual shareholders.

All issued shares carry one vote per share.

Distribution of holders of equity securities

Range	Total Holders
1 - 1,000	1,268
1,001 - 5,000	939
5,001 - 10,000	461
10,001 - 100,000	896
100,001 Over	135
Holding less than a marketable parcel	1,427

Substantial shareholders

Ordinary Shareholders	Fully Paid	
	Number	Percentage
NATIONAL NOMINEES LIMITED	28,078,147	19.54
J P MORGAN NOMINEES AUSTRALIA PTY LTD	13,134,083	9.14
SEDICO PTY LTD	7,266,980	5.06

Number of holders of equity securities

Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully Paid	
	Number	Percentage
NATIONAL NOMINEES LIMITED	28,078,147	19.54
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,134,083	9.14
SEDICO PTY LTD	7,266,980	5.06
BOND STREET CUSTODIANS LIMITED	6,081,275	4.23
RUMINATOR PTY LTD	5,062,008	3.52
PINE STREET PTY LTD <PINE STREET SUPER FUND A/C>	3,400,000	2.37
CANALA SUPER FUND PTY LTD	3,258,173	2.27
ALTOR CAPITAL MANAGEMENT PTY LTD	2,382,778	1.66
CITICORP NOMINEES PTY LIMITED	2,296,006	1.60
PINE STREET PTY LTD	1,900,000	1.32
SEDICO PTY LTD <VICTOR PREVIN SUPERFUND A/C>	1,200,000	0.84
NEWECOMY COM AU NOMINEES PTY LIMITED	1,109,010	0.77
PINE STREET PTY LTD	1,000,000	0.70
FIVE TALENTS LIMITED	963,607	0.67
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	930,441	0.65
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	928,526	0.65
MR DOUGLAS ROBERT BUCHANAN + MRS ROBYN LORRAINE BUCHANAN	925,000	0.64
MR RAHMON CHARLES COUPE + MRS JULIA DEBORAH COUPE	874,400	0.61
DR PETER ANTHONY STEWART	754,834	0.53
NURRAGI INVESTMENTS PTY LTD	699,000	0.49

Corporate Directory

Company & Headquarters

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

Directors

Mr V Previn	Chairman
Mr A Sundich	Non-executive Director
Mr R Coupe	Independent Director
Mr M Southard	Non-executive Director
Mr M Mangano (resigned 31 August 2020)	Independent Director
Mr T Spurling (appointed 31 August 2020)	Executive Director

Company Secretary

Simon Gray

Corporate Accountant

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

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

Corporate Website

<https://www.nova-eye.com>

Corporate Governance Statement

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