Rhinomed Limited

ABN 12 107 903 159

Annual Report

30 June 2022

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Corporate directory

Directors	Mr Michael Johnson (Executive Director and Chief Executive Officer) Mr Ron Dewhurst (Non-Executive Chairman) Mr Brent Scrimshaw (Non-Executive Director) Dr Eric Knight (Non-Executive Director) (resignation effective 30 September 2022) Assoc. Prof. John McBain AO (Non-Executive Director) Ms Lynette Swinburne AO (appointed 8 September 2022)
Company Secretary & CFO	Mr Sean Slattery
Registered and Principal Office	Level 1, 132 Gwynne Street Cremorne VIC 3121 Australia +61 (0)3 8416 0900
Share Register	Automic Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000 +61 (0)2 9698 5414
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5, Level 22, 727 Collins Street Melbourne VIC 3008
Solicitors	HWL Ebsworth Level 8, 447 Collins Street Melbourne VIC 3000 +61 (0)3 8644 3500
Bankers	National Australia Bank 330 Collins Street Melbourne VIC 3000
Stock exchange listing	Rhinomed Limited shares are listed on the Australian Securities Exchange (ASX code: RNO) and the OTC Market in the USA (OTCQB: RHNMF).
Website	www.rhinomed.global
Corporate governance statement	www.rhinomed.global/investor-information/corporate-governance

Directors' report

The directors are pleased to present their report, together with the financial statements, of the consolidated group consisting of Rhinomed Limited and the entities it controlled (the 'Group') at the end of, or during, the year ended 30 June 2022.

Directors
The following persons were Directors of Rhinomed Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Mr Michael Johnson (Executive Director and Chief Executive Officer)
- Mr Ron Dewhurst (Non-Executive Chairman)
- Mr Brent Scrimshaw (Non-Executive Director)
- Dr Eric Knight (Non-Executive Director) (resignation effective 30 September 2022)
- Assoc. Prof. John McBain AO (Non-Executive Director)
- Ms Lynette Swinburne AO (Non-Executive Director) (appointed 8 September 2022)

Principal activities
The Group's principal activities are research, development and commercialisation of consumer and medical devices. There were no significant changes in the nature of the Group's principal activities during the financial year.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
Rhinomed is a wearable nasal and respiratory technology company.

Rhinomed is actively seeking to improve the way millions of people around the world breathe, sleep, take medication and maintain their health by utilising the nose as a site for the delivery of novel solutions. We achieve this goal by assisting people to overcome nasal breathing issues, such as congestion and obstruction, and socialise 'wearing' a device in the nose in order to solve high value unmet needs in the global consumer health, diagnostic and drug delivery markets. Our strategy is to ensure our products are on the shelves of the world's leading pharmacies with leading clinicians and practitioners who recognise the impact nose, and upper airway has on a wide range of health issues.

The focus during the year ended 30 June 2022 has been to optimise Rhinomed's wearable technology platform across both the growing sleep and respiratory consumer health markets and strategic entry in the high value diagnostics market.

The loss for the Group after providing for income tax amounted to $5,281,038 (2021: $8,638,926).

The Group held cash reserves of $1,984,949 at 30 June 2022 (2021: $2,339,616), a decrease of $354,667 from the previous year. As at 30 June 2022 the Group's net assets were $5,034,638 (2021: $4,763,833) and the net carrying value of the Group's intangible assets was $1,870,108 (2021: $2,231,736).

The Group loss of $5,281,038 consists of an operating loss of $5,238,161 (decrease of 39% compared to FY21), depreciation and amortisation costs of $699,462 (up 18% compared to FY21), and employee benefit expenses of $3,885,332 (down 26% compared to FY21). For the year ended 30 June 2022, there were no non-cash amounts relating to options granted (2021: $2.1 million).

Net cash used in operating activities was $5.74 million compared to $5.22 million in FY21. Operating expenditure is aligned with revenue generation and investment to support the sales growth in key markets. This includes the continued growth and roll out of the Mute technology and as a result, Mute sales represented 61% of total revenue during FY22.

While the Group's COVIDSafe Plan has remained in place for the majority of the year, the Rhinomed team has continued to deliver on key milestones towards the successful delivery of our technology to customers.

Rhinoswab
Since releasing the Rhinoswab program in quarter one of FY22, Rhinomed has received purchase orders and commenced supplying the NSW government and the Victorian government, each for an initial one million unit Rhinoswab order as part of their program to support testing capability. Further, Rhinomed has created the world's first nasal swab designed specifically for children - The Rhinoswab Junior™, which is compatible with PCR and Rapid Antigen Tests.

In 2H FY22, Rhinomed successfully closed two critical supply deals which will deliver significant revenues over the course of two years anchored by a minimum production requirement of 32.5 million Rhinoswab units. Delivery will commence in 1H FY23 for both deals.

In response to significant demand both domestically and internationally, production capabilities have been significantly expanded now with Australian based production as well as Chinese based production. Rhinomed is continuing to develop additional manufacturing partners to meet demand globally and also to diversify production sources to mitigate any supply chain disruption risks.

Total Rhinoswab revenue for the year ended 30 June 2022 totalled just over $3 million.

Consumer Health
The Consumer Health business continues to experience robust growth across our three key markets, USA, EMEA, and APAC. Despite the pandemic effect on pharmacy foot traffic, Rhinomed has experienced strong growth via both global networks and through online ecommerce with Mute becoming the #1 internal nasal dilator in the USA.

The Group added the Giant Eagle retail chain situated in the USA northeast, while in the UK, Mute has been added as a line in Holland & Barrett, a leading health and wellbeing chain. This followed further expansion in the Walgreens chain earlier in the year. Although the Australian market has been in lockdown in both NSW and Victoria, the Group has grown its pharmacy numbers in Australia via the rollout of Mute in the API pharmacy network, increasing sales to APAC wholesale distributors by 15%.

To aid the expansion into Europe, a new subsidiary has been set up in Germany, Rhinomed EU GmbH, particularly to assist with the European DTC and Amazon implementation which is currently in progress. Amazon UK has also been set up with revenues commencing in 1H FY23.

Total Consumer Health revenue for the year ended 30 June 2022 totalled just over $6 million which represents 393,500 units shipped. This is an increase of 38% compared to the units shipped in the prior year.

Outlook
The company remains focused on delivering growth based on key metrics:

- Growing and owning the sleep/snoring category in core markets
- Expanding success with US Amazon and DTC (online) into new markets - EU and UK
- Building the snoring category with retail partners in the USA to make it a destination category
- Increasing distribution amongst or existing key accounts in our key geographic markets
- Building out the Rhinoswab global production network with a 100 million swab production capacity
- Pursuing the significant pipeline opportunities for the Rhinoswab and Rhinoswab Junior roll out
- Delivering strong high margin revenue growth

Rhinomed is well placed to continue to execute its strategy of commercialising its platform technology by expanding its strong and growing presence in the USA, EMEA and APAC markets. Further, with rapid antigen tests now the default testing and screening methodology globally, the opportunity to provide a superior user experience while improving the overall effectiveness of the rapid antigen test is a clear point of differentiation for rapid test makers. With the increased global demand for nasal swabs, the Rhinoswab and Rhinoswab Junior™ are a perfect addition to the Group's pipeline of opportunity.

COVID-19 impact
Despite the global pandemic, Consumer Health units shipped increased by 38% compared to the prior year. Although lockdowns eased up across a number of our key markets, retail sales were consistent compared to the prior year due to the decrease in foot traffic caused in the prior year, however, revenue derived from online sales significantly increased by 142% compared to the prior year. This is due to the focus to expand sales in other online platforms. Online sales represented 62% of total revenue for the year ended 30 June 2022 (compared to 39% in FY21). Amazon is the Group's largest customer with Amazon US alone growing by 149% compared to the prior year. Mute and Turbine sales have demonstrated strong growth due to the strategy to shift focus onto Amazon as a customer and sales growth is expected to continue to grow with a strategy to target Amazon EU in FY23.

Rhinomed has identified the need to target the global demand for high comfort, high yielding nasal swabs. Nasal swabs are the preferred sampling method used in suspected cases of whooping cough, diphtheria, influenza, and various types of diseases caused by the coronavirus family of viruses, including SARS, MERS, and COVID-19. The development of Rhinoswab and Rhinoswab Junior™ builds on the Group's expertise as a world-leading developer of nasal devices and enables mass, high frequency sample collection designed to capture a superior sample yield. This will greatly enhance the global response to the COVID-19 pandemic. As noted above, Rhinomed has generated a significant revenue stream from Rhinoswab and with two supply deals for 32.5 million units over two years, a compelling opportunity exists in a global high growth market.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year

Matters subsequent to the end of the financial year
Subsequent to 30 June 2022, the Group received two purchase orders from BTNX Inc and Surescreen Australia Pty Ltd totalling 1.75 million swabs at commercial in confidence pricing, as agreed in previously announced supply agreements. This provides further validation of the focus on the Rhinoswab as a material business line.

Further to the above, Rhinomed appointed Ms Lynette Swinburne AO, one of Australia's most experienced consumer-led health leaders, as a Non Executive Director of Rhinomed on 8 September 2022. Dr Eric Knight has also announced his intention to retire from Rhinomed's Board after over eight year of service as a Non Executive Director. Dr Knight's retirement will be effective from 30 September 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	Mr Michael Johnson
Title:	Executive Director and Chief Executive Officer ('CEO')
Experience and expertise:	Mr Johnson is a director of Cogentum, one of Australia's leading market oriented strategic advisory firms based in Melbourne. Over the past 20 years, Mr Johnson has worked in and for a wide spectrum of companies from ASX 300 through to start-up companies in life sciences, cleantech, financial services, energy and utilities, manufacturing, marketing and communication, automotive, and consumer packaged goods. His most recent work has focused on helping companies implement technology platforms and achieve sustainable growth through business model innovation. Mr Johnson has been a Principal at two leading global consulting firms where he advised on innovation and competing in heavily regulated industries. Before that, he held roles within some of the world's most successful marketing and communication firms where he launched a number of high profile new products and brands. Mr Johnson has received a Master of Entrepreneurship and Innovation from Swinburne University and a Bachelor's degree with distinction in business from Monash University.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee
Interest in shares:	912,897
Interest in options:	30,380,913
Name:	Mr Ron Dewhurst
Title:	Non Executive Chairman
Experience and expertise:	Mr Dewhurst has spent 40 years in the investment banking and asset management industries, covering Australia, Asia, Europe and the United States of America. He was formerly Head of Americas for J P Morgan Asset Management and Senior Executive Vice President and Head of Global Investment Managers for Legg Mason Inc. based in the United States, before returning to live in Melbourne in 2014.
Other current directorships:	Sprott Inc (TSX/NYSE: SII) since 2017
Former directorships (last 3 years):	Onevue Holdings Limited (ASX: OVH), from 2016 to 2020
Special responsibilities:	Member of the Audit Committee Member of the Remuneration Committee
Interest in shares:	19,808,510
Interest in options:	2,000,000
Name:	Mr Brent Scrimshaw
Title:	Non Executive Director
Experience and expertise:	Mr Scrimshaw brings a unique understanding of the requirements of building disruptive brands and businesses worldwide. During a 19-year career with Nike Inc. where he held the position of Vice President and Chief Executive of Western Europe amongst other leadership roles and was a member of the global corporate leadership team where he was responsible for many of Nike's major growth and brand strategies worldwide. He is now the CEO and Executive Director of Enero Group Limited (ASX: EGG) and is also a non-executive director of Kathmandu Holdings Limited (ASX/NZX: KMD)
Other current directorships:	Kathmandu Holdings Limited (ASX/NZX: KMD), since 2018 Enero Group Limited (ASX: EGG) since 2020
Former directorships (last 3 years):	Catapult Sports Ltd (ASX: CAT), from 2014 to 2020
Special responsibilities:	Chair of the Remuneration Committee
Interest in shares:	108,918
Interest in options:	2,000,000

Name:	Dr Eric Knight (resignation effective 30 September 2022)
Title:	Non Executive Director
Experience and expertise:	Dr Knight brings a depth of experience in corporate strategy and management, having previously worked for Boston Consulting Group, and subsequently serving as Professor of Strategic Management at University of Sydney and more recently as Professor of Strategic Management and Executive Dean of Macquarie Business School. Dr Knight is a Graduate of the Australian Institute of Company Directors and is known internationally for his work on design-led strategy.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit Committee Member of the Remuneration Committee
Interest in shares:	85,303
Interest in options:	1,000,000

Name:	Assoc. Prof. John McBain AO
Title:	Non Executive Director
Experience and expertise:	Assoc. Prof. McBain is the former Head of Reproductive Services at The Royal Women's Hospital in Melbourne, Australia. He is also the former President of the Fertility Society of Australia, and was a founder of Melbourne IVF, now Virtus Health (ASX:VRT). Assoc. Prof. McBain served as a Director of Melbourne IVF and subsequently as a Director of Virtus Health prior to its listing on the ASX. Assoc. Prof. McBain holds a Medical degree from Glasgow University
Other current directorships:	None
Former directorships (last 3 years):	None
Interest in shares:	52,917,490
Interest in options:	None

Name:	Ms Lynette Swinburne AO (appointed 8 September 2022)
Title:	Non Executive Director
Experience and expertise:	Ms Swinburne is the founder of Breast Cancer Network Australia, the nation's most successful consumer-led health organisation with over 160,000 network members. Over the course of her career she has revolutionised awareness of breast cancer and driven a fundamental change to patient-centred care for breast cancer sufferers. She is internationally recognised as a pioneer and leader in developing best practice models for consumer input into health research, policy, services and commercial outcomes. An experienced Non-Executive Director in the corporate and not-for-profit sectors, Ms Swinburne recently stepped down after nine years as Chair of the Board of the Royal Women's Hospital, Melbourne. Ms Swinburne's contribution to the Australian health sector has been acknowledged with numerous awards including the Order of Australia 2018, Honorary Doctorate (Social Sciences) Swinburne University 2015, Australian of the Year finalist 2006, Melburnian of the Year 2007, Equity Trustees' Not-for-Profit CEO of the Year Award 2004, The Centenary Federation Medal 2003, Victorian Women's Honour Role 2002. She was also one of the Australian Financial Review/Westpac's Australian 100 Women of Influence in 2016, and was the winner of the Social Enterprise & Not-for-Profit Category of the 100 Women of Influence Award 2016.
Other current directorships:	None
Former directorships (last 3 years):	None
Interest in shares:	178,000
Interest in options:	None

Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships' (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary
Mr Sean Slattery
Mr Slattery was appointed the company's Chief Financial Officer ('CFO') in December 2018. Mr Slattery has over 20 years' experience as a director, company secretary and CFO of both private and ASX listed companies. Mr Slattery's previous roles have included media, financial services, and technology companies. Mr Slattery has a Master of Taxation from University of Melbourne, is a Member of the Institute of Chartered Accountants and completed his Bachelor of Science, majoring in Accounting, from Salisbury University in Maryland, USA.

Meetings of directors
The number of meetings of the company's Board of Directors ('Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Michael Johnson	4	4	2	2	-	-
Mr Ron Dewhurst	4	4	1	2	1	1
Mr Brent Scrimshaw	3	4	-	-	1	1
Dr Eric Knight	4	4	2	2	1	1
Assoc. Prof. John McBain	4	4	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The directors present the Rhinomed Limited 2022 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration award this year.

The remuneration report is set out as follows:
- (a) Key management personnel covered in this report
- (b) Principles used to determine the nature and amount of remuneration
- (c) Remuneration of key management personnel
- (d) Contractual arrangements with executive key management personnel
- (e) Terms and conditions of share-based payment arrangements
- (f) Reconciliation of options and ordinary shares held by key management personnel
- (g) Relationship between the remuneration policy and Group performance
- (h) Additional disclosures relating to key management personnel

(a) Key management personnel covered in this report
Non-executive and executive directors (see pages 5-7 for details about each director)
- Mr Michael Johnson (Executive Director and CEO)
- Mr Ron Dewhurst (Non-executive Chairman)
- Mr Brent Scrimshaw (Non-executive Director)
- Dr Eric Knight (Non-executive Director)
- Assoc. Prof. John McBain (Non-executive Director)

Other key management personnel (See above for details about other key management personnel)
- Mr Sean Slattery (Company Secretary, CFO)

(b) Principles used to determine the nature and amount of remuneration
The Board's policies for determining the amount and nature of compensation of key management personnel ('KMP') of the Group are as follows:

The compensation structure for KMP is based on a number of factors, including length of service, specific experience of the individual, the individual's performance and contribution to the Group and the overall performance of the Group.

The compensation structure of individual KMP is embodied in individual service contracts that include incentives designed to reward KMP for results achieved and to retain their services, as well as to create goals congruence between directors, executives and shareholders.

The Board's policy for determining remuneration is based on the following:
i. The policy is developed by and approved by the board;
ii. All KMP receive a base remuneration;
iii. Performance incentives are generally paid once predetermined key performance indicators ('KPI's') have been met; and
iv. Incentives paid in the form of options are designed to align the interests of the director and the Group with those of shareholders.

All remuneration paid to KMP is valued at the cost to the Group and expensed. KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interest with shareholders.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive director remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board considers advice from external sources as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Directors' fees cover all main board activities and committee memberships. All non-executive directors have an agreement for services with the Company that is ongoing. There is no termination clause within the agreement and no entitlement to a termination payment.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed compensation consists of a base salary (calculated on a total cost basis, including any fringe benefits tax related to employee benefits) as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual and Group performance.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. Compensation levels are reviewed annually by the Remuneration Committee with bonuses being awarded depending on the number and deemed difficulty of the achievement of the individual and the Group.

The long-term incentives ('LTI') include long service leave and share-based payments.

Performance linked compensation includes a STI, in the form of cash bonuses usually paid upon annual targets and KPI's being achieved. KPI's include operational performance targets. LTI provided are options over ordinary shares in the Group. Share options may be issued to KMP to further encourage loyalty, share price increase and the alignment of personal and shareholder interests.

Voting and comments made at the company's 2021 Annual General Meeting ('AGM')
At the AGM held on 19 November 2021, 99.77% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

(c) Remuneration of key management personnel
The following table shows details of the remuneration recognised for the Group's KMP for the current and previous financial year measured in accordance with the requirements of the accounting standards.

30 June 2022	**Cash salary and fees***	**Bonus***	**Long service leave****	**Super-annuation*****	**Options^**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Non-executive directors:						
Mr Ron Dewhurst	117,273	-	-	2,727	-	120,000
Mr Brent Scrimshaw	72,727	-	-	7,273	-	80,000
Dr Eric Knight	72,727	-	-	7,273	-	80,000
Assoc. Prof. John McBain	72,727	-	-	7,273	-	80,000
Executive directors:						
Mr Michael Johnson	301,240	38,000	6,271	23,760	-	369,271
Other key management personnel:						
Mr Sean Slattery	238,636	74,789	3,766	24,075	-	341,266
	875,330	**112,789**	**10,037**	**72,381**	**-**	**1,070,537**

30 June 2021	**Cash salary and fees***	**Bonus***	**Long service leave****	**Super-annuation*****	**Options^**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Non-executive directors:						
Mr Ron Dewhurst	109,589	-	-	10,411	-	120,000
Mr Brent Scrimshaw	73,059	-	-	6,941	-	80,000
Dr Eric Knight	73,059	-	-	6,941	-	80,000
Assoc. Prof. John McBain[1]	9,623	-	-	914	-	10,537
Executive directors:						
Mr Michael Johnson	303,519	112,500	11,128	21,481	1,752,572	2,201,200
Other key management personnel:						
Mr Sean Slattery	228,654	85,250	1,135	21,346	350,514	686,899
	797,503	**197,750**	**12,263**	**68,034**	**2,103,086**	**3,178,636**

[1]Assoc. Prof. John McBain was appointed as a Non-Executive Director on 14 May 2021.

*Short-term benefits as per Corporations Regulation 2M.3.03(1) Item 6

** Other long-term benefits as per Corporations Regulation 2M.3.03(1) Item 8. The amounts disclosed in this column represent the increase in the associated provisions.

*** Post-employment benefits as per Corporations Regulation 2M.3.02(1) Item 7

^ Equity-settled share-based payments as per Corporations Regulation 2M.3.03(1) Item 11. These include any negative amounts for options and rights forfeited during the year.

(d) Contractual arrangements with executive key management personnel

Name:	Mr Michael Johnson
Title:	Executive Director and CEO (appointed 1 February 2013)
Term of agreement:	Standard rolling agreement (no fixed term)
Details:	The employment conditions of Mr Michael Johnson are formalised in an employment contract which includes a notice period of six months by either party. Mr Johnson's contract provides for redundancy pay of 36 weeks' pay for more than five years' continuous service. As KMP, Mr Johnson is entitled to participate in the Group's 'employee share and option plan'.

Name:	Mr Sean Slattery
Title:	Chief Financial Officer (appointed 3 December 2018)
Term of agreement:	Standard rolling agreement (no fixed term)
Details:	The employment conditions of Mr Sean Slattery are formalised in an employment contract. This contract includes a termination period of two months by either party. As KMP, Mr Slattery is entitled to participate in the Group's 'employee share and option plan'.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

(e) Terms and conditions of share-based payment arrangements

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 (FY21: nil).

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel are as follows:

Name	**Number of options granted**	**Grant date**	**Vesting date/ exercisable date**	**Expiry date**	**Exercise price**	**Fair value per option at grant date**
Mr Michael Johnson	5,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
Mr Ron Dewhurst	2,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
Mr Brent Scrimshaw	2,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
Dr Eric Knight	1,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
Mr Sean Slattery	3,000,000	20/01/2020	20/01/2020	20/01/2024	$0.2998	$0.0967
Mr Michael Johnson	12,690,457	20/11/2020	20/11/2020	23/12/2024	$0.1160	$0.1381
Mr Sean Slattery	2,538,091	20/11/2020	20/11/2020	23/12/2024	$0.1160	$0.1381

All options granted vested on their grant date and carry no dividend or voting rights.

There have been no alterations to the terms or conditions of any grants since grant date. All options granted entitle the holder to one ordinary share for each option exercised.

(f) Reconciliation of options and ordinary shares held by key management personnel

Options

The table below shows a reconciliation of options held by each KMP from the beginning to the end of the financial year ended 30 June 2022. All vested options were exercisable.

Name	Balance at the start of the year Vested #	Granted as compensation #	Vested/ Exercised #	Forfeited #	Other changes #	Balance at the end of the year Vested #
Mr Ron Dewhurst	5,000,000	-	(3,000,000)	-	-	2,000,000
Mr Brent Scrimshaw	3,500,000	-	-	(1,500,000)	-	2,000,000
Dr Eric Knight	2,500,000	-	-	(1,500,000)	-	1,000,000
Mr Michael Johnson	33,380,913	-	(3,000,000)	-	-	30,380,913
Mr Sean Slattery	5,538,091	-	-	-	-	5,538,091
	49,919,004	**-**	**(6,000,000)**	**(3,000,000)**	**-**	**40,919,004**

The amounts paid per ordinary share on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
20 December 2021	$0.287

No amounts are unpaid on any shares issued on the exercise of options.

Shareholdings

The table below shows a reconciliation of shareholdings held by each KMP, including their personally related parties, from the beginning to the end of the financial year ended 30 June 2022.

		Balance at the start of the year #	Received during the year on the exercise of options #	Other changes* #	Balance at the end of the year #
Mr Ron Dewhurst	Beneficial interest	-	3,000,000	303,951	3,303,951
	Non beneficial interest	14,750,000	-	1,754,559	16,504,559
Mr Brent Scrimshaw	Beneficial interest	75,918	-	-	75,918
	Non beneficial interest	33,000	-	-	33,000
Dr Eric Knight	Beneficial interest	77,456	-	7,847	85,303
Assoc. Prof. John McBain	Non beneficial interest	45,085,801	-	7,831,689	52,917,490
Mr Michael Johnson	Beneficial interest	242,002	-	84,049	326,051
	Non beneficial interest	235,710	3,000,000	(2,648,864)	586,846
		60,499,887	**6,000,000**	**7,333,231**	**73,833,118**

*Other changes relate to sale and purchase of shareholdings on the open market.

Any KMP as disclosed in section (a) of this remuneration report who are not explicitly referenced in the tables above did not hold any options and/or ordinary shares in the Company for the periods shown.

(g) Relationship between the remuneration policy and Group performance

The remuneration of executives consists of fixed base pay and cash bonus based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. The measures are specifically tailored to the area each individual is involved in and has a level of control over. It also comprises the issue of options to directors and executives to encourage loyalty, share price increase and the alignment of personal and shareholder interests. As such, remuneration is not linked to the financial performance of the Group in the current or previous reporting periods.

The earnings of the Group for the five years to 30 June 2022 are summarised below:

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
	$	$	$	$	$
Revenue	9,104,727	3,894,908	3,565,363	3,608,556	2,169,176
Net loss before tax	(5,280,198)	(8,637,815)	(7,265,434)	(5,631,826)	(4,079,747)
Net loss after tax	(5,281,038)	(8,638,926)	(7,266,223)	(5,673,878)	(4,004,324)
Share price at financial year end ($)	0.10	0.15	0.06	0.22	0.17
Basic earnings per share (cents per share)	(2.02)	(3.40)	(4.43)	(4.26)	(3.74)
Diluted earnings per share (cents per share)	(2.02)	(3.40)	(4.43)	(4.26)	(3.74)

*Certain amounts have been restated to reflect adjustments relating to prior periods.

(h) Additional disclosures relating to key management personnel

Related party transactions

The wife of Mr Michael Johnson commenced employment as the National Sales Manager during the year and received a salary of $173,818 plus superannuation guarantee of $17,382. At year end, an amount of $1,014 has been accrued for as annual leave.

For the year ended 30 June 2021, the Executive Director and CEO, Mr Michael Johnson, is associated with Smart Street Solutions. Rhinomed Limited engaged Smart Street Solutions to provide consulting and marketing related services to the Group during the year. The engagement was based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with KMP of the Group:

	30 June 2022	30 June 2021
	$	$
Amounts recognised as expenses		
Consultancy fees	-	26,400
Employee benefits	191,200	153,927
Amounts recognised as assets and liabilities		
Current liabilities (annual leave accrual)	1,014	7,927

There are no other outstanding balances at reporting date in relation to transactions with related parties

This concludes the audited remuneration report.

Shares under option
Unissued ordinary shares of Rhinomed Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
29 November 2019	29 November 2023	$0.2998	10,000,000
20 January 2020	20 January 2024	$0.2998	3,000,000
20 November 2020*	23 December 2024	$0.1160	15,228,548
			28,228,548

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

*Included in these options were options granted as remuneration to the CEO and CFO in the year ended 30 June 2021.

No options were granted to the directors or any key management personnel of the Company since the end of the financial year.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company and its Australian-based controlled entities against a liability 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.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Audit and non-audit services
Details of the amounts paid or payable to the auditor (Grant Thornton) for audit and non-audit services provided during the financial year are outlined in note 25 to the consolidated financial statements.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise with the Company and/or Group are important.

The Board, in accordance with advice provided by the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Board are of the opinion that the services as disclosed in note 26 to the consolidated financial statements do not compromise the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved by the audit committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors.

On behalf of the directors

Mr Michael Johnson
Chief Executive Officer and Managing Director

28 September 2022

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Rhinomed Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Rhinomed Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 28 September 2022

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	30 June 2022	30 June 2021
		$	$
Revenue			
Revenue from customers	5	9,104,727	3,894,908
Other income	6	1,288,693	750,168
Expenses			
Raw materials and consumables used		(2,898,870)	(1,142,312)
Administrative expenses		(1,210,368)	(1,661,262)
Depreciation and amortisation	7	(699,462)	(591,568)
Employee benefits		(3,885,332)	(5,247,329)
Marketing		(4,763,126)	(3,357,950)
Research and development		(1,716,232)	(731,934)
Other operating expenses		(458,191)	(539,160)
Operating loss		**(5,238,161)**	**(8,626,439)**
Finance income	23	2,210	29,465
Finance costs	23	(44,247)	(40,841)
Loss before income tax expense		**(5,280,198)**	**(8,637,815)**
Income tax expense	8	(840)	(1,111)
Loss after income tax expense for the year attributable to the owners of Rhinomed Limited		**(5,281,038)**	**(8,638,926)**
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(829,912)	150,404
Other comprehensive income/(loss) for the year		(829,912)	150,404
Total comprehensive loss for the year attributable to the owners of Rhinomed Limited		(6,110,950)	(8,488,522)

		Cents	Cents
Basic earnings per share	34	(2.02)	(3.40)
Diluted earnings per share	34	(2.02)	(3.40)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position
As at 30 June 2022

	Note	30 June 2022	30 June 2021
Assets		**$**	**$**
Current assets			
Cash and cash equivalents	9	1,984,949	2,339,616
Trade and other receivables	10	2,093,557	1,133,231
Inventories	11	1,241,748	157,157
Other current assets	12	202,641	120,158
Total current assets		5,522,895	3,750,162
Non-current assets			
Other financial assets		81,472	81,414
Property, plant and equipment	13	751,420	82,272
Right-of-use assets	14	271,843	402,056
Intangible assets	15	1,870,108	2,231,736
Total non-current assets		2,974,843	2,797,478
Total assets		**8,497,738**	**6,547,640**
Liabilities			
Current liabilities			
Trade and other payables	16	2,669,515	1,073,737
Contract liabilities	17	125,144	-
Lease liabilities	18	151,304	133,721
Employee benefits obligations	19	249,083	175,655
Total current liabilities		3,195,046	1,383,113
Non-current liabilities			
Lease liabilities	18	185,439	336,743
Employee benefits obligations	19	82,615	63,951
Total non-current liabilities		268,054	400,694
Total liabilities		**3,463,100**	**1,783,807**
Net assets		**5,034,638**	**4,763,833**
Equity			
Share capital	20	77,650,779	71,269,024
Other reserves	21	2,868,159	4,621,921
Accumulated losses		(75,484,300)	(71,127,112)
Total Equity		**5,034,638**	**4,763,833**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity
For the year ended 30 June 2022

	Note	Share capital $	Option reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2020		71,274,386	2,411,930	(28,920)	(62,502,766)	11,154,630
Loss for the year		-	-	-	(8,638,926)	(8,638,926)
Other comprehensive income for the year		-	-	150,404	-	150,404
Total comprehensive income/(loss) for the year		-	-	150,404	(8,638,926)	(8,488,522)
Transactions with owners in their capacity as owners:						
Share-based payments	7	-	2,103,087	-	-	2,103,087
Expiry of options not exercised		-	(14,580)	-	14,580	-
Share issue transaction costs	20	(5,362)	-	-	-	(5,362)
Balance at 30 June 2021		71,269,024	4,500,437	121,484	(71,127,112)	4,763,833

	Note	Share capital $	Option reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2021		71,269,024	4,500,437	121,484	(71,127,112)	4,763,833
Loss for the year		-	-	-	(5,281,038)	(5,281,038)
Other comprehensive loss for the year		-	-	(829,912)	-	(829,912)
Total comprehensive loss for the year		-	-	(829,912)	(5,281,038)	(6,110,950)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	20	4,659,755	-	-	-	4,659,755
Share issue on exercise of options	20/21	1,722,000	(615,900)	-	615,900	1,722,000
Expiry of options not exercised	21	-	(307,950)	-	307,950	-
Balance at 30 June 2022		77,650,779	3,576,587	(708,428)	(75,484,300)	5,034,638

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	30 June 2022	30 June 2021
		$	$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,765,467	3,690,825
Payments to suppliers and employees (inclusive of GST)		(14,891,824)	(9,385,399)
Government grants and tax incentives received		424,967	510,325
Interest received		2,152	28,904
Interest paid		(44,247)	(61,967)
Net cash outflow from operating activities	33	(5,743,485)	(5,217,312)
Cash flows from investing activities			
Payments for property, plant and equipment		(876,746)	(49,079)
Net cash outflow from investing activities		(876,746)	(49,079)
Cash flows from financing activities			
Proceeds from issue of shares	20	6,645,007	-
Share issue transaction costs	20	(263,252)	(22,403)
Lease principal repayment		(133,721)	(117,687)
Net cash inflow/(outflow) from financing activities		6,248,034	(140,090)
Net decrease in cash and cash equivalents		(372,197)	(5,406,481)
Cash and cash equivalents at the beginning of the financial year		2,339,616	7,757,474
Effects of exchange rate changes on cash and cash equivalents		17,530	(11,377)
Cash and cash equivalents at the end of the financial year	9	**1,984,949**	**2,339,616**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements
For the year ended 30 June 2022

Note 1. General information

Reporting entity
These financial statements cover Rhinomed Limited as a consolidated entity consisting of Rhinomed Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Rhinomed Limited's functional and presentation currency.

Rhinomed Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 132 Gwynne Street
Cremorne VIC 3121
Australia
+61 (0)3 8416 0900

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

Rhinomed Limited is registered under the Corporations Act 2001 and is listed on the Australian Securities Exchange ('ASX') and the OTC Markets ('OTCQB').

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Rhinomed Limited and its subsidiaries.

(a) Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared on a historical cost basis, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern
These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of these consolidated financial statements.

At 30 June 2022, the Group's cash and cash equivalents totalled $1,984,949 (FY21: $2,339,616) and for the year ended 30 June 2022, the Group experienced a loss of $5,281,038 (FY21: $8,638,926) and a net cash outflow from operating activities of $5,743,485 (FY21: net cash outflow of $5,217,312).

There are significant risks associated with product development and regulatory approvals required by biotechnology companies, as such it is difficult to predict the exact timing and quantum of income from the commercialisation of products and technology and there are inherent uncertainties involved in raising funds from investors within forecasted timelines. To mitigate these risks, the Group has entered into an unsecured working capital facility to the value of $2.5m, provided equally from entities related to Chairman Ron Dewhurst and non-executive director, John McBain. This facility is repayable by 31st July 2023. To date, there have been no drawdowns against this facility.

The Group has continued its entrepreneurial spirit with the Rhinoswab, which promotes an easier high-frequency and more comfortable method of testing for respiratory viruses (e.g., COVID-19). Rhinoswab has received regulatory approval (TGA, FDA and CE), positive clinical tests, and exceptional customer feedback. Rhinoswab revenue for the year ended 30 June 2022 totalled just over $3 million which represents purchase orders of 2 million Rhinoswab units sold to two Australian state governments. This represented 35% of FY22 total revenue. In 2H FY22, Rhinomed successfully closed two critical supply deals which will deliver significant revenue over the course of two years anchored by a minimum production requirement of 32.5 million Rhinoswab units. Delivery will commence in 1H FY23 for both deals and goes to proving the focus on the Rhinoswab as a material business line.

Based on current budget assumptions, the Group has sufficient funds to meet current commitments towards promoting existing commercialised technology and further development of the technology platform.

Management acknowledge that material uncertainty exists that may cast doubt upon the Group's ability to continue as a going concern however, as described above, the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future.

(b) Principles of consolidation
Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition method of accounting is used to account for business combinations by the Group. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, which results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Rhinomed Limited.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities, and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Operating segments are presented using the 'management approach' where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is the Board of Directors which is responsible for the allocation of resources to operating segments and assessing their performance.

(d) Foreign currency translation
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency). The consolidated financial statements are presented in Australian dollars, which is Rhinomed Limited's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into Australian dollars using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of their fair value gain or loss.

Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income ('OCI') are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value of adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Investments and other financial assets
The Group classifies its financial assets in the following measurement categories:

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

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

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

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement
Investments and other financial assets are initially measured at 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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or FVOCI. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain

(g) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(h) Employee benefits
(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and any accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations
The Group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

iii) Share-based payments
The fair value of options granted under the Rhinomed Limited ESOP is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (eg the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(i) Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

j) Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Note 3. Critical accounting estimates and judgements

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Management continually evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue, and expenses and bases its estimates and judgements on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected one item in the financial statements.

Share-based payment transactions
The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares.

Allowance for expected credit losses
The decision whether or not to provide for the impairment of a receivable (provision for expected credit losses) requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables and specific knowledge of the individual debtor's financial position.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Key assumptions used for value-in-use calculations for impairment assessment of tangible and intangible assets
The Group estimates the value-in-use of Rhinomed Limited cash generating unit ('CGU') using discounted cash flows. For the 2022 reporting period, the recoverable amount of the CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using the estimated growth rates and assumptions used in the value in use calculations stated below:

(i) New product - Rhinoswab
As mentioned in Note 2, the Group has continued its entrepreneurial spirit with the Rhinoswab, which promotes an easier high-frequency and more comfortable method of testing for respiratory viruses (e.g., COVID-19). Rhinoswab has received regulatory approval (TGA, FDA and CE), positive clinical tests, and exceptional customer feedback.

Following the successful sale of the Rhinoswab to the NSW and Victorian health systems, Rhinomed has been actively pursuing opportunities to include the Rhinoswab in PCR pathology testing protocols with governments and business globally. To date, two critical supply deals have been successfully closed which will deliver significant revenue over the course of two years anchored by a minimum production requirement of 32.5 million Rhinoswab units. Delivery will commence in 1H FY23 for both of these deals.

The supply arrangements entered into during FY22 goes to proving the focus on the Rhinoswab as a material business line and as such, the Group is now scaling up its manufacturing facilities to respond to growing domestic and international demand for this innovative technology. With two manufacturing facilities that the Group has had successful long-term partnerships with, production volume for FY23 is expected to reach over 32 million swabs, increasing to at least 40 million in FY24.

ii) Existing products - sales growth rate
While the COVID-19 pandemic has impacted consumer behaviour, reducing the number and frequency of store visits, sales from e-commerce channels have continued to grow, with the largest online customer growing by 149% compared to the prior year. The renewed focus to expand sales in other online platforms has resulted with online derived sales more than offsetting the decline in retail sales.

To maintain the Group's placement in its existing retail market, the Group's US team have continued to attend the biannual trade show buyers' meetings. These meetings drive decision making as to whether a retailer will stock a product and the Group has presented at these meetings over the last four years. By maintaining a presence at these meetings, other retailers have taken up the Mute as a stocked product. This endorsement provides the Group with confidence that the underlying strategy and assumptions that drive the strategy are sound.

There are a number of key trends in the industry impacting sales growth rate assumptions. Firstly, competitors are declining after several years in the market which is seeing the Group acquire a greater market share. This supports the proposition that the useful life of products in the market is significant and can exceed their patent life. Secondly, available sales data illustrates consistent growth of the Mute product. The Group believes that as awareness continues to grow it is reasonable to conclude that this growth rate will continue to increase.

Based on the above, average annual sales growth rates of 19% (FY21: 11%) have been incorporated in the value in use model. This is estimated to result in a cash inflow growth rate of 17% in FY23 compared to the actual cash inflow in FY22. The sales growth rate contemplates the continued development of the US sales and marketing function, application of US marketing strategies to the AU market, and expansion into European markets. The company also estimates that marketing and advertising expenses increase at average rates of 18% per annum, staff cost at average rates of 8% per annum and other costs at 4% per annum, based on past trends of reducing costs compared to revenues.

(iii) Discount rate
In performing the value-in-use calculation, the Group has applied a pre-tax discount rate of 20% to pre-tax cash flows, which is considered conservative.

In completing value-in-use calculations management determined budgeted gross margins based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. Management believes the projected growth rate to be prudent and justified based on the Group's past and expected performance. A reasonable change in key assumptions, including an adjustment of the pre-tax discount rate applied from 5%-10% would not cause the Group's assets to exceed their recoverable amounts.

(iv) Period over which cash flows projected
Five years

(v) Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Note 4. Operating segments

The Group has identified one reportable operating segment; that is, the identification, acquisition, and commercialisation of late stage consumer therapeutic and medical delivery technologies at Rhinomed group level as one consolidated operation. The Board currently allocates resources and decisions based on the nasal stent technology brand and its commercialisation to the market. Due to the nature of the products sold, the Group has assessed that analysis and reporting of its operations by geographical areas or countries has very limited impact on CODM's decision-making process. This, along with taking into consideration the cost to develop this reporting, the group opted not to report its operations by geographical areas.

The segment details are therefore fully reflected in the body of the financial report.

Note 5. Revenue from customers

The Group derives revenue from the transfer of goods at a point in time.

	30 June 2022	30 June 2021
	$	$
Revenue from customers for the sale of goods	9,104,727	3,894,908

Revenue from the sale of goods relates to late-stage therapeutic delivery products.

The revenue for the year includes $nil (FY21: $317,798) included in the contract liability balance at the beginning of the year.

Sale of goods
Revenue from the sale of late stage therapeutic delivery products are recognised at a point in time. The performance obligation is satisfied when the customer has access and thus control of the product, which is generally at the time of delivery.

Major customers
Three US customers represented just over 43% of the Group's revenue for the year ended 30 June 2022 totalling approximately $3.9 million (FY21: $2.5 million):

- an American 'Big Five' e-commerce company;
- an American healthcare company owning the largest pharmacy chain in the US; and
- an American company that owns the second largest pharmacy store chain in the US.

The revenue generated from the above customers during the year related to Rhinomed's Consumer Health products.

Further to the above, two Australian government organisations represented just over a third of the Group's revenue for the year ended 30 June 2022. These two Australian organisations are (1) Victoria's largest public health service in Australia, providing safe, high quality care to one-quarter of Melbourne's population, and (2) the largest government shared services organisation in Australia supporting the delivery of patient care in NSW Health. This was the first year of revenue from these customers and related to Rhinomed's Rhinoswab products.

Recognition of revenue from customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a contract liability.

Financing components
The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds 12 months. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Note 6. Other income

	30 June 2022	30 June 2021
	$	$
Government grants and incentives	-	325,201
R&D tax incentive	501,264	424,967
Other income	5,500	-
Unrealised currency gains	781,929	-
	1,288,693	750,168

The R&D tax incentive relates to an incentive to support companies that undertake eligible R&D activities. AusIndustry administers the registration and compliance of the R&D activities and the ATO are responsible for the R&D expenditure claimed on the income tax return.

Government grants and incentives received in the prior year included $50,000 for COVID-19 cashflow boost, $174,000 Job Keeper payment assistance received from the Government as well as $100,000 Export Market Development Grant. These were not received during the year ended 30 June 2022.

Accounting policy for government grants
Government grants, including R&D tax incentive, are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 7. Expenses

	30 June 2022	30 June 2021
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation of right-of-use assets	130,213	130,213
Depreciation of property, plant, and equipment	207,621	99,725
Amortisation of intangible assets	361,628	361,630
	699,462	591,568
Operating leases		
Operating lease expense on short term leases	84,121	60,456
Superannuation		
Superannuation expenses	212,135	167,725
Leases		
Lease interest expense	31,297	40,405
Share-based payments expense		
Share-based payments expense	-	2,103,087

Note 8. Income tax

	30 June 2022	30 June 2021
	$	$
Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(5,280,198)	(8,637,815)
Statutory tax rate	25.0%	26.0%
Tax at the statutory tax rate	1,320,050	2,245,832
Tax effect of adjustments relating to non-temporary differences:		
Share-based payments	-	(546,803)
Research and development incentive	150,814	110,491
Non-assessable payments under Government stimulus schemes	-	58,240
Other non allowable or assessable items	(150,424)	(31,130)
Tax effect of adjustments relating to temporary differences:		
Temporary differences not recognised	(9,946)	(289,383)
Deferred tax assets relating to tax losses not recognised	(1,310,494)	(1,547,247)
Adjustment recognised for prior periods	840	1,111
Income tax expense	840	1,111
Represented by		
Current tax on profits for the year	-	-
Adjustment recognised for prior periods	840	1,111
Aggregate income tax expense	840	1,111

Tax losses
The group estimates the below carried forward tax losses that have not been recognised as a deferred tax asset to the Group:

Australia	39,118,881	38,634,622
USA	11,726,037	6,925,652
UK	133,422	176,091
	50,978,340	**45,736,365**

These losses are available for offset against taxable income of the companies in which those losses arose subject to the meeting of the relevant tests in that jurisdiction. The benefit of these tax losses has not been brought to account as the probable recognition criteria has not been satisfied. Were these tax losses to be recognised, it would result in a deferred tax asset at the statutory tax rate in the relevant jurisdiction.

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balance relates 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 either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Note 9. Cash and cash equivalents

	30 June 2022	30 June 2021
	$	$
Cash at bank	1,984,949	2,339,616

Accounting policy for cash and cash equivalents
For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Note 10. Trade and other receivables

	30 June 2022	30 June 2021
	$	$
Trade receivables	1,505,399	711,379
Less: Allowance for expected credit losses	(54,993)	(64,260)
	1,450,406	647,119
R&D tax incentive receivable	501,264	424,967
Other receivables	141,887	61,145
	2,093,557	1,133,231

Classification as 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. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 24.

Impairment and risk exposure
Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 24.

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Note 11. Inventories

	30 June 2022	30 June 2021
	$	$
Inventory available for sale -at cost	1,187,122	120,354
Inventory on consignment - at cost	54,626	36,803
	1,241,748	157,157

Accounting policy for inventories
Inventory is stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 12. Other current assets

	30 June 2022	30 June 2021
	$	$
Prepayments	157,439	103,020
Other deposits	45,202	17,138
	202,641	120,158

Note 13. Property, plant and equipment

	30 June 2022	30 June 2021
	$	$
Plant and equipment - at cost	922,144	592,686
Less: Accumulated depreciation	(202,194)	(547,554)
	719,950	45,132
Fixtures and fittings - at cost	111,426	106,220
Less: Accumulated depreciation	(79,956)	(69,080)
	31,470	37,140
	751,420	82,272

Reconciliation
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and Equipment	Furniture, fittings and equipment	Total
	$	$	$
Balance at 1 July 2020	99,105	19,239	118,344
Additions	38,851	24,929	63,780
Exchange differences	-	(127)	(127)
Depreciation expense	(92,824)	(6,901)	(99,725)
Balance at 30 June 2021	45,132	37,140	82,272
Additions	871,938	4,808	876,746
Exchange differences	-	23	23
Depreciation expense	(197,120)	(10,501)	(207,621)
Balance at 30 June 2022	719,950	31,470	751,420

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the expected useful lives of the respective assets, as follows:

Plant and equipment	4-6 years
Furniture, fitting and equipment	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2(e)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

Note 14. Right-of-use assets

The Group entered into a five-year commercial lease in Cremorne in August 2019. The lease is for the use of office facilities.

	30 June 2022	30 June 2021
	$	$
Leased properties - right-of-use	651,781	651,781
Less: Accumulated depreciation	(379,938)	(249,725)
	271,843	402,056

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 15. Intangible assets

	Goodwill	**Development Costs**	**Intellectual Property**	**Total**
	$	**$**	**$**	**$**
As at 30 June 2021				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	-	(314,808)	(2,430,647)	(2,745,455)
Net book value	1,565,004	116,241	550,491	2,231,736
Year ended 30 June 2022				
Opening net book value	1,565,004	116,241	550,491	2,231,736
Additions	-	-	-	-
Amortisation charge	-	(45,683)	(315,945)	(361,628)
Net book value	1,565,004	70,558	234,546	1,870,108
At 30 June 2022				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	-	(360,491)	(2,746,592)	(3,107,083)
Net book value	1,565,004	70,558	234,546	1,870,108

Accounting policy for intangible assets
(i) Goodwill
Upon a business combination, goodwill is measured as the excess of the:

- consideration transferred,
- amount of any non-controlling interest in an acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the acquisition date fair value of net identifiable assets acquired.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 4).

(ii) Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(iii) Intellectual property
Intellectual property acquired as part of a business combination is recognised separately from goodwill. Intellectual property is carried at cost, which is its fair value at the date of acquisition less accumulated amortisation and impairment losses. Intellectual property is amortised over its useful life commencing from the completion of development. The Group will carry its intellectual property at cost whilst it is under development, and it is subject to annual impairment testing.

Impairment of intangibles
The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Research and development	9.5 years
Intellectual Property	9.5 years

The Directors conducted an impairment assessment of the Group's intangible assets as at 30 June 2022 and concluded that an impairment charge was not necessary. The Directors assessed that intellectual property and development costs maintain their finite useful life of 9.5 years. Intangible assets have been subject to an impairment test whereby the recoverable amount was compared to their written-down value. Recoverable amount has been determined by the Board by preparing a value-in-use calculation using cash flow projections over a five-year period with a terminal value calculated on a perpetual growth basis, a fair value calculation using cash flow projections over a five-year period applying a terminal value on EBIT multiple basis and taking the higher of the two in accordance with Australian Accounting Standards.

In performing the impairment review, the single CGU identified to its lowest level is at Rhinomed group level as one consolidated operation as the products held do not generate independent cash inflows. As the Rhinomed brand and nasal stent technology are key to generating future cash inflows and growth for the company, the Board's focus is on the group level reporting and allocation of resources within the business.

Refer to Note 3 for Key assumptions used for value-in-use calculations for impairment assessment as of 30 June 2022.

Apart from the considerations described in determining the value-in-use of the cash-generating unit described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. The estimate of the recoverable amount is based on a discount rate of 20% factoring in unforeseen circumstances around COVID-19 and the uncertainty this has provided. Based on this, management has adequate comfort that this will not lead to an impairment based on current projections and assumptions used in the value-in-use calculation.

Note 16. Trade and other payables

	30 June 2022	30 June 2021
	$	$
Trade payables	1,805,897	716,958
Accrued expenses	706,490	208,778
Other payables	157,128	148,001
	2,669,515	1,073,737

Refer to note 24 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the 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 measured at amortised cost using the effective interest method. Due to their short-term nature, the carrying amounts of trade and other payables are considered to be the same as their fair values.

Note 17. Contract liabilities

	30 June 2022	30 June 2021
	$	$
Contract liabilities - deferred revenue	125,144	-

The group derives revenue from the transfer of goods at a point in time when the products are sold to the end customers by the retailer.

The revenue for the year includes $nil (FY21: $317,798) included in the contract liability balance at the beginning of the year.

Note 18. Lease liabilities

	30 June 2022	30 June 2021
	$	$
Lease liability - current	151,304	133,721
Lease liability - non-current	185,439	336,743
	336,743	470,464

The Group's lease liability relates to the head office in Cremorne. This lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset (note 14) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

During the year, payments made in respect to lease liabilities totalled $165,018 (FY21: $158,092) which includes an interest expense of $31,297 (FY21: $40,405).

Accounting policy for lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 19. Employee benefits obligations

	30 June 2022	30 June 2021
	$	$
Current liability		
Leave obligations	237,083	162,125
Employee entitlements	12,000	13,530
	249,083	175,655
Non-current liability		
Long service leave obligation	82,615	63,951

Current leave obligations relate to amounts that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts are classified as current liabilities as the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

Long service leave obligations relate to employee entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

Note 20. Share capital

	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Shares	Shares	$	$
Ordinary shares - fully paid	285,719,694	253,809,132	77,650,779	71,269,024

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2020	253,809,132		71,274,386
Less: transaction costs arising on rights issue		-		(5,362)
Balance	30 June 2021	253,809,132		71,269,024
Share issue on exercise of options		6,000,000	$0.287	1,722,000
Rights issue		25,910,562	$0.190	4,923,007
Less: transaction costs arising on rights issue		-		(263,252)
Balance	30 June 2022	285,719,694		77,650,779

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Capital risk management
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's management, the Board monitors the need to raise additional equity from the equity markets.

Note 21. Other reserves

	30 June 2022	30 June 2021
	$	$
Foreign currency translation reserve	(708,428)	121,484
Option reserve	3,576,587	4,500,437
	2,868,159	4,621,921

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Details	Date	Option reserve	Foreign currency translation reserve	Total
		$	$	$
Balance	1 July 2020	2,411,930	(28,920)	2,383,010
Options issued/expensed		2,103,087	-	2,103,087
Expiry of options not exercised		(14,580)	-	(14,580)
Currency translation reserve		-	150,404	150,404
Balance	30 June 2021	4,500,437	121,484	4,621,921
Exercise of options		(615,900)	-	(615,900)
Expiry of options not exercised		(307,950)	-	(307,950)
Currency translation reserve		-	(829,912)	(829,912)
Balance	30 June 2022	3,576,587	(708,428)	2,868,159

Option reserve
The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested

Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 2(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Note 22. Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Note 23. Finance income and costs

	30 June 2022	30 June 2021
	$	$
Finance income		
Interest from financial assets held for cash management purposes	2,210	29,465

Interest income is calculated using the effective interest rate method.

	30 June 2022	30 June 2021
Finance costs		
Interest expense for lease liabilities	31,297	40,405
Other finance charges	12,950	436
	44,247	40,841

Note 24. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Group's implementation of that system on a regular basis.

The Directors and senior management identify the general areas of risk and their impact on the activities of the Group, with management performing a regular review of:

- the major risks that occur within the business;
- the degree of risk involved;
- the current approach to managing the risk; and
- if appropriate, determine:
  - any inadequacies of the current approach; and
  - possible new approaches that more efficiently and effectively address the risk.

Management reports risks identified to the Board through the monthly 'operations report'.

The Group seeks to ensure that its exposure to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost effective manner.

The Group's financial instruments are detailed below:

	30 June 2022	30 June 2021
	$	$
Cash and cash equivalents	1,984,949	2,339,616
Net trade receivables at amortised cost	1,450,405	1,197,491
Other financial assets at amortised cost	81,472	81,414
Trade and other payables at amortised cost	(2,669,515)	(1,073,737)
Lease liability at amortised cost	(336,743)	(470,464)
	510,568	2,074,320

Elements of risk
The main risks the Group is exposed to through its operations are foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

	Assets		**Liabilities**	
	30 June 2022	**30 June 2021**	**30 June 2022**	**30 June 2021**
	$	**$**	**$**	**$**
US dollars	173,643	109,263	(541,019)	(302,838)
Pound Sterling	67,159	21,850	(4,467)	(8,654)
	240,802	131,113	(545,486)	(311,492)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

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

A strengthening or weakening of the Australian dollar against the following currencies would have an equal and opposite effect on the loss after tax and equity as outlined below.

The following table illustrates the sensitivity of profit and equity in relation to the Group's finance assets and financial liabilities against the AUD/USD exchange rate and the AUD/GBP exchange rate. The analysis assumes that all other variables remain constant. It assumes a +/- 3% change of the AUD/USD rate for the year ended 30 June 2022 (FY21: +/- 11%). A +/- 2% change is considered for the AUD/GBP exchange rate (FY21: +/- 4%). Both percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

		AUD strengthened			**AUD weakened**	
30 June 2022	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
US dollars	3%	10,700	10,700	-3%	(10,700)	(10,700)
Pound Sterling	2%	(1,829)	(1,829)	-2%	1,829	1,829
		8,871	8,871		(8,871)	(8,871)

		AUD strengthened			**AUD weakened**	
30 June 2021	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
US dollars	11%	19,183	19,183	-11%	(19,183)	(19,183)
Pound Sterling	4%	(508)	(508)	-4%	508	508
		18,675	18,675		(18,675)	(18,675)

Interest rate risk
The Group is exposed to interest rate risk via the cash and cash equivalents and other financial assets that it holds. Interest rate risk is the risk that financial instruments value will fluctuate as a result of changes in market interest rates.

	30 June 2022	30 June 2021
Instruments with cash flow risk	$	$
Cash and cash equivalents	1,984,949	2,339,616
Other financial assets at amortised cost	81,472	81,414
	2,066,421	2,421,030

An increase or decrease of 0.10% (FY21: 0.10%) in interest rates at the reporting date would have the increase/(decrease) effect on cash and cash equivalents and other financial assets by $2,071 (FY21: $2,421).

Credit risk
Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Risk management
Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are normally 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

Impairment of financial assets
The Group has one type of financial asset subject to the expected credit loss model, being trade receivables for sales of inventory. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

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. To measure the expected credit losses, trade receivables assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, there was no further loss allowance as at 30 June 2022 from the expected credit loss method. This was ascertained based on an individual client analysis; the identified loss beyond this at a portfolio level was determined to be immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 121 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity risk
Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk as follows:

- preparation of cash flow analyses related to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets;
- investing surplus funds with reputable financial institutions.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

30 June 2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Non-interest bearing				
Trade and other payables	2,669,515	-	-	2,669,515
Interest bearing				
Lease liabilities	151,304	185,439	-	336,743
Total non-derivatives	2,820,819	185,439	-	3,006,258

30 June 2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Non-interest bearing				
Trade and other payables	1,073,737	-	-	1,073,737
Interest bearing				
Lease liabilities	133,721	336,743	-	470,464
Total non-derivatives	1,207,458	336,743	-	1,544,201

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 25. Key management personnel disclosures

Directors
The following persons were directors of Rhinomed Limited during the financial year:

Mr Michael Johnson	Executive Director and Chief Executive Officer
Mr Ron Dewhurst	Non-Executive Director
Mr Brent Scrimshaw	Non-Executive Director
Dr Eric Knight	Non-Executive Director (resignation effective 30 September 2022)
Assoc. Prof. John McBain AO	Non-Executive Director
Ms Lynette Swinburne AO	Non-Executive Director (appointed 8 September 2022)

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Sean Slattery	Chief Financial Officer and Company Secretary

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	30 June 2022	30 June 2021
	$	$
Short-term employee benefits	988,119	995,253
Long-term employee benefits	10,037	12,263
Post-employment benefits	72,381	68,034
Share-based payments	-	2,103,086
	1,070,537	3,178,636

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the parent entity, Rhinomed Limited, by the auditor's related network firms and by non-related audit firms:

	30 June 2022	30 June 2021
	$	$
Audit services		
Audit or review of the financial statements – Grant Thornton Audit Pty Ltd	125,750	82,800
	125,750	82,800
Other services		
Tax compliance services – Grant Thornton Pty Ltd	8,500	6,750
	134,250	89,550

Note 27. Contingent liabilities

The Group had no contingent liabilities at 30 June 2022 (FY21: nil).

Note 28. Commitments

	30 June 2022	30 June 2021
	$	$
Other expenditure commitments		
Committed at the reporting date but not recognised as liabilities:		
Within one year	-	1,379
One to five years	-	-
	-	1,379

There were no further capital or expenditure commitments not recognised as liabilities as at 30 June 2022.

Note 29. Related party transactions

Parent entity
Rhinomed Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 31.

Key management personnel
Disclosures relating to key management personnel are set out in Note 25 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	30 June 2022	30 June 2021
	$	$
Sales and purchases of goods and services:		
Consulting fees*	-	26,400
Employee benefits**	191,200	153,927

*Consulting fees paid to Smart Street Solutions, a business associated with Mr Michael Johnson. Smart Street Solutions provides consulting and marketing related services to the Group.

**The wife of Mr Michael Johnson was employed during the year as National Sales Manager and received a salary of $173,818 (FY21: $133,333) plus superannuation guarantee of $17,382 (FY21:$12,667).

Receivable from and payable to related parties
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 June 2022	30 June 2021
	$	$
Current payables:		
Employee benefits obligations	1,014	7,927

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 30. Parent entity information
Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2022	**30 June 2021**
	$	**$**
Loss after income tax	(28,025,974)	(26,795,910)
Total comprehensive loss	(28,025,974)	(26,795,910)

Statement of financial position

	Parent	
	30 June 2022	**30 June 2021**
	$	$
Total current assets	2,356,059	2,358,102
Total assets	4,585,278	5,056,903
Total current liabilities	878,819	745,226
Total liabilities	1,146,873	1,145,920
Equity		
Share capital	77,650,779	71,269,023
Option reserve	3,576,587	4,500,437
Accumulated losses	(77,788,961)	(71,858,477)
Total equity	3,438,405	3,910,983

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

	Principal place of business / Country of incorporation	Ownership interest 30 June 2022	Ownership interest 30 June 2021
Name		**%**	**%**
ASAP Breatheassist Pty Ltd	Australia	100.00%	100.00%
Breathing Space Health Pty Ltd	Australia	100.00%	100.00%
Diagnosehealth Pty Ltd	Australia	100.00%	100.00%
Rhinomed UK Limited	United Kingdom	100.00%	100.00%
Breatheassist Limited	United Kingdom	100.00%	100.00%
Rhinomed Inc.	United States	100.00%	100.00%
Rhinomed EU GmbH (incorporated 14 December 2021)	Germany	100.00%	-

Note 32. Events after the reporting period

Subsequent to 30 June 2022, the Group received two purchase orders from BTNX Inc and Surescreen Australia Pty Ltd totalling 1.75 million swabs at commercial in confidence pricing, as agreed in previously announced supply agreements. This provides further validation of the focus on the Rhinoswab as a material business line.

Further to the above, Rhinomed appointed Ms Lynette Swinburne AO, one of Australia's most experienced consumer-led health leaders, as a Non Executive Director of Rhinomed on 8 September 2022. Dr Eric Knight has also announced his intention to retire from Rhinomed's Board after over eight year of service as a Non Executive Director. Dr Knight's retirement will be effective from 30 September 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 33. Cash flow information

Reconciliation of loss after income tax to net cash outflow from operating activities

	30 June 2022	30 June 2021
	$	$
Loss after income tax expense for the year	(5,281,038)	(8,638,926)
Adjustments for:		
Depreciation and amortisation	699,462	591,568
Share-based payments	-	2,103,087
Foreign exchange differences	(801,110)	149,658
Change in operating assets and liabilities:		
Increase in trade and other receivables	(960,326)	(188,459)
(Increase)/decrease in inventories	(1,084,591)	383,227
(Increase)/decrease in other operating assets	(82,483)	125,320
Increase in trade and other payables	1,595,778	516,488
Increase/(decrease) in other liabilities	170,823	(259,275)
Net cash used in operating activities	(5,743,485)	(5,217,312)

Note 34. Earnings per share

	30 June 2022	30 June 2021
	$	$
Loss after income tax attributable to the owners of Rhinomed Limited	(5,281,038)	(8,638,926)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	261,656,327	253,809,132
Weighted average number of ordinary shares used in calculating diluted earnings per share	261,656,327	253,809,132
	Cents	Cents
Basic earnings per share	(2.02)	(3.40)
Diluted earnings per share	(2.02)	(3.40)

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Rhinomed Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued 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.

Note 35. Share-based payments

The establishment of the 'employee share and option plan' ('ESOP') was approved by shareholders at the 2017 annual general meeting. The plan is designed to provide long-term incentives for employees (including Directors) to deliver long-term shareholder returns. 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.

Set out below are summaries of options granted under ESOP which was established to provide ongoing incentive to reward employees and consultants for their contribution to the Group's performance. All options listed below have a vesting date equal to their grant date:

30 June 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited	Balance at the end of the year
14/12/2018	21/12/2021	$0.2870	9,000,000	-	(6,000,000)	(3,000,000)	-
29/11/2019	29/11/2023	$0.2998	10,000,000	-	-	-	10,000,000
20/01/2020	20/01/2024	$0.2998	3,000,000	-	-	-	3,000,000
20/11/2020	23/12/2024	$0.0116	12,690,457	-	-	-	12,690,457
20/11/2020	23/12/2024	$0.0116	2,538,091	-	-	-	2,538,091
			37,228,548	-	(6,000,000)	(3,000,000)	28,228,548
Weighted average exercise price			$0.2215	$0.0000	$0.1027	$0.1027	$0.2006

30 June 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited	Balance at the end of the year
24/01/2017	30/12/2020	$0.4000	150,000	-	-	(150,000)	-
14/12/2018	21/12/2021	$0.2870	9,000,000	-	-	-	9,000,000
29/11/2019	29/11/2023	$0.2998	10,000,000	-	-	-	10,000,000
20/01/2020	20/01/2024	$0.2998	3,000,000	-	-	-	3,000,000
20/11/2020	23/12/2024	$0.0116	-	12,690,457	-	-	12,690,457
20/11/2020	23/12/2024	$0.0116	-	2,538,091	-	-	2,538,091
			22,150,000	15,228,548	-	(150,000)	37,228,548
Weighted average exercise price			$0.2900	$0.1160	$0.0000	$0.4000	$0.2215

Accounting policy for share-based payments
The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group 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.

This declaration is made in accordance with a resolution of directors.

On behalf of the directors

Mr Michael Johnson
Chief Executive Officer and Managing Director
28 September 2022

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Independent Auditor's Report

To the Members of Rhinomed Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Rhinomed Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

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

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 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.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $5,281,038 during the year ended 30 June 2022, the Group experienced a net cash outflow from operating activities of $5,743,485. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 of the current period. These 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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of intangible assets (Note 3 and 15)</td></tr>
<tr><td>The Group has recorded goodwill of $1,565,004, capitalised development costs of $70,558 and intellectual property of $234,546 at 30 June 2022 assigned to a single Cash Generating Unit (CGU). Goodwill is required to be assessed for impairment annually by Management as prescribed in AASB 136 Impairment of Assets.

Management test the CGU for impairment by comparing the carrying amount against the recoverable amount determined by either, the greater of its fair value less costs to sell and its value in use.

This area is a key audit matter due to the significance of the balance and the management estimates and judgements involved in identifying CGU's and applying the value in use model.</td><td>Our procedures included, amongst others:
• Understanding and documenting Management's process and controls related to the assessment of impairment;
• Evaluating management's assessment of CGU's and whether they meet the definition as prescribed by AASB 136 Impairment of Assets;
• Evaluating the value in use models against the requirements of AASB 136;
• Challenging the appropriateness of Management's revenue and cost forecasts by comparing the forecasted cash flows to the actual growth rates achieved historically;
• Reviewing Management's value in use calculations to:
– Test the mathematical accuracy of the calculations;
– Critically challenge assumptions underlying forecast cash inflows and outflows to be derived by the CGU assets;
– Assess estimates and judgements for growth rates applied; and
– Assess discount rates applied to forecast future cash flows for reasonableness.
• Performing sensitivity analysis on the significant inputs and assumptions made by Management in preparing its calculations; and
• Assessing the adequacy of financial statement disclosures.</td></tr>
</table>

R&D tax incentive (Note 10)	
The Group receives a research and development (R&D) refundable tax offset from the Australian government, which represents the corporate tax rate plus 18.5 cents in each dollar of eligible annual R&D expenditure in each dollar of eligible annual R&D expenditure if its turnover is less than $20 million per annum. Registration of R&D Activities Application is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management reviewed the Group's total R&D expenditure to estimate the refundable tax offset receivable under the R&D tax incentive legislation. This area is a key audit matter due to the size of the accrual and the degree of judgment and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.	Our procedures included, amongst others: • Obtaining an understanding the process and controls undertaken to calculate the R&D tax incentive; • Evaluating the competence, capabilities and objectivity of the specialist engaged by the Group to review the R&D expenditure; • Utilising an internal R&D tax specialist to: – Review the methodology used by the Group for consistency with the R&D tax offset rules; and – Consider the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to assess whether the expenses included in the estimate were likely to meet the eligibility criteria; • Inspecting supporting documentation for a sample of expenses claimed to assess validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria; • Comparing the nature of R&D expenditure included in the current year estimate to the prior year claim; • Considering the Group's history of successful claims; • Inspecting copies of relevant correspondence with Aus Industry and the Australian Taxation Office related to the claims; and • Assessing the adequacy of the Group's disclosures in relation to the R&D tax incentive.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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, 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 Group's ability 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 this 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: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 8 to 13 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Rhinomed Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 28 September 2022

Shareholder information

The shareholder information set out below was applicable as at 9th September 2022.

Distribution of equitable securities

Analysis of the number of equity security holders by size of holding and the total percentage of securities in that class held by the holders in each category:

	Ordinary shares		
Holding	**No. holders**	**No. shares**	**Share %**
1 – 1,000	109	17,263	0.01%
1,001 – 5,000	448	1,330,221	0.47%
5,001 – 10,000	269	2,150,316	0.75%
10,001 – 100,000	591	20,196,179	7.07%
100,001 and over	167	262,025,715	91.71%
	1,584	**285,719,694**	**100.00%**
Holdings less than marketable parcel	**316**		

Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Holder name	Numbers held	% of issued shares
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	113,464,559	39.71%
2	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	30,901,726	10.82%
3	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	18,084,062	6.33%
4	KROY WEN PTY LTD	8,331,816	2.92%
5	KROY WEN PTY LTD <DEWHURST SUPER FUND A/C>	8,172,743	2.86%
6	CITICORP NOMINEES PTY LIMITED	6,076,467	2.13%
7	PICTON COVE PTY LTD	3,931,702	1.38%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	3,733,542	1.31%
9	MR RONALD RICHARD DEWHURST	3,303,951	1.16%
10	KENSINGTON CAPITAL MANAGEMENT PTY LTD	3,083,687	1.08%
11	UBS NOMINEES PTY LTD	3,000,000	1.05%
12	ABINGDON NOMINEES PTY LTD <ABINGDON NOMS INVEST A/C>	2,422,897	0.85%
13	ARGUS NOMINEES PTY LTD <THE HALSTEAD SUPER FUND A/C>	2,225,285	0.78%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,976,671	0.69%
15	MUTUAL TRUST PTY LTD	1,702,634	0.60%
16	MR GEOFFREY CHARLES HARRINGTON	1,400,000	0.49%
17	KEN SIEBEL	1,249,929	0.44%
18	MR CALUM MCBAIN	1,245,700	0.44%
19	MR PHILLIP KEITH BIGGS & DR KATHERINE LOUISE SPEARRITT	1,238,583	0.43%
20	MR ANTONY ANDREW SHEIL	1,220,259	0.43%
		216,766,213	**75.90%**

Substantial shareholders

Substantial shareholders in the company are set out below:

		Ordinary shares	
	Holder name	**Numbers held**	**% of issued shares**
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	113,464,559	39.71%
2	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	30,901,726	10.82%
3	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	18,084,062	6.33%

Voting rights

Shareholders may vote at a meeting of shareholders in person, directly or by proxy, attorney or representative, depending on whether the shareholder is an individual or a company.

Subject to any rights or restrictions attaching to shares, on a show of hands each shareholder present in person or by proxy, attorney or representative has one vote and, on a poll, has one vote for each fully paid share held.

Currently, there is only one class of fully paid ordinary shares and these do not have any voting restrictions. If shares are not fully paid, on a poll the number of votes attaching to the shares is pro-rated accordingly.