

For personal use only

**AIRWAY**

TECHNOLOGY

**RHINOMED**

---

ANNUAL REPORT 2019

---

For personal use only

© Rhinomed Limited 2019

ISSN 1839-6879

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be produced by any process without prior written permission from Rhinomed Limited.

For personal use only

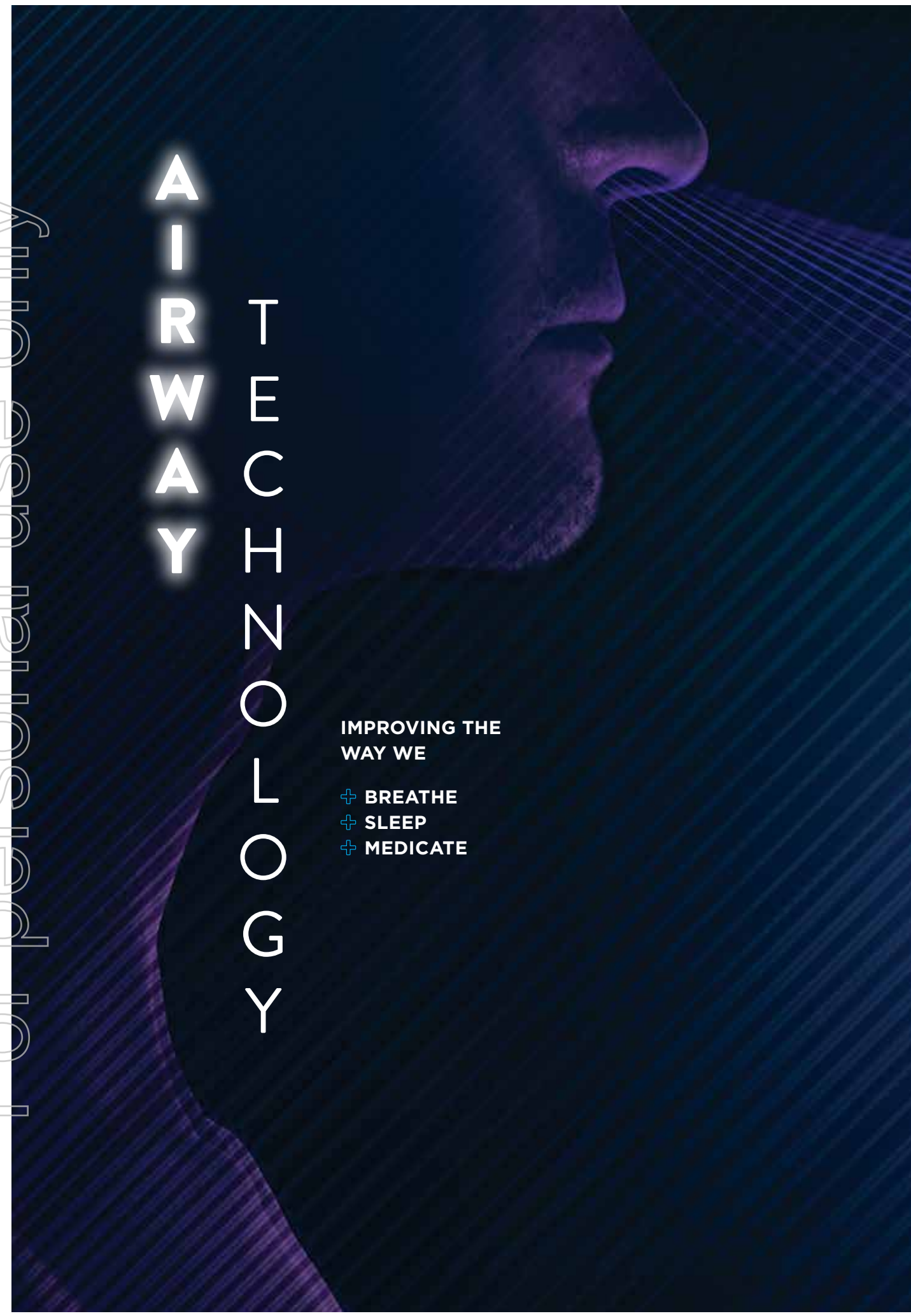
2	LETTER FROM THE CHAIRMAN
5	LETTER FROM THE CEO
12	OPERATIONAL REVIEW
18	KEY PRODUCTS
21	PLATFORM TECHNOLOGY
22	INTELLECTUAL PROPERTY
38	CORPORATE DIRECTORY
40	DIRECTORS' REPORT
68	FULL YEAR FINANCIAL ACCOUNTS
128	DIRECTORS' DECLARATION
131	INDEPENDENT AUDITOR'S REPORT
136	SHAREHOLDER INFORMATION

For personal use only

# AIRWAY TECHNOLOGY

IMPROVING THE  
WAY WE

- + BREATHE
- + SLEEP
- + MEDICATE



# RHINOMED

## WHO ARE WE?

**Rhinomed (ASX: RNO, OTCQB: RHNMF) is a commercial stage nasal medical technology and drug delivery company.**

Through our proprietary platform technology that focuses on the role and function of the nose we seek to radically improve the way people breathe, sleep, take medication and maintain their health and wellness.

Our relentless focus on understanding and identifying consumer, clinician and patient needs drives the design and development of our breakthrough medical and scientific innovation. Our customers range from consumers across three continents through to the world's leading clinicians and health care organisations.

In 2018 we had two products on-market - Turbine and Mute, which seek to help people to breathe better, sleep better and enjoy a better quality of life. Through the course of FY19 we finalised our new Pronto range - a new version of our technology platform that release a blend of essential oils into the nasal airway.

Pronto Clear is a nasal decongestant while Pronto Sleep assists with Sleep onset and maintenance.

Pleasingly, in late FY19 both Pronto products were successfully registered with the US FDA and Australian TGA and received a European authority CE mark; Pronto Sleep was accepted by leading US based pharmacy chain Walgreens into close to 1,000 stores.

Rhinomed continues to pursue a strategy around creating branded technology that solves specific consumer needs. In FY2019 we also actively progressed our relationship with leading US based medical cannabis company, Columbia Care. As we move into FY20 the company will continue to assess and develop solutions that have the potential to deliver a positive return for investors.

For personal use only

## LETTER FROM THE CHAIRMAN

It is my pleasure to present the Rhinomed Limited 2019 Annual report.

In 2014 the CEO and the Board of Rhinomed signed off on a strategy to sequentially develop our proprietary medical platform technology.

Our first product was the Turbine aimed at the exercise and non contact sports market, but in reality, and more importantly, a product designed to socialise the idea of placing a device in your nose.

This was followed by the launch of Mute, focused on a minimally invasive solution for people with nasal obstruction, who are dealing with snoring and poor sleep. Mute has now established itself as the fastest growing product in its category in the U.S. pharmacy market, and is sold through 12,000 stores globally, 9,500 in the U.S. alone, a rise from approximately 900 stores four years ago.

The next step in the strategy was expanding our technology into the delivery of natural essential oils. We have reached this inflection point with the first of these products, Pronto Sleep, being launched over the last few months with further rollouts programmed over the next 12 months.

Looking forward, the final part of the 2014 strategy was a move into nasal drug delivery. Little did we know back then that the first such product would be a CBD/medical cannabis product. As announced late last year, we have entered into a 12 year licensing agreement in the U.S. with a major medical cannabis company, Columbia Care, with the first of a number of products to be rolled out over the next 12 to 24 months. These products will be initially directed at sleep, decongestion, anxiety and other conditions, along the same lines as our natural essential oil Pronto range.

Most important, the validation of our ability to effectively deliver medical cannabis, via a reliable dosing system and in a safe manner, is a pathway for us to explore and address the delivery of other drugs nasally.

The point of replaying this story is to demonstrate the commitment that Rhinomed made, and is making, to have a long term strategy to systematically develop our products in a sustainable way and to meet the growing needs of users and potential users.

For personal use only 2

Our plan is to extend our product reach not just to the existing markets we operate in, importantly, the U.S., UK and Australia, but in future, beyond.

We are enormously encouraged by the recognition our products are achieving, both with the broad consumer market and importantly, with clinicians and other health and medical specialists. We have, and are investing time, money, and resources, to work with recognised organisations to further develop our product set.

Our revenues and product acceptance are growing at a very healthy pace, and our belief is that increased product awareness and the size of our product range will be the pathway to drive our revenues and earnings to meet our, and you, our shareholders' expectations.

Our focus over the next 12 to 24 months is from generating revenues from 2 products to 8 products. Our plans are ambitious, but we have laid the groundwork to achieve these goals.

I want to now comment on the support we have received from you, our shareholders, something we do not take for granted. Building a small company is challenging and demanding, and we acknowledge we have had to call on our shareholders to help fund our growth whilst we strive to reach the financial status that enables us to be strong enough to have a long term sustainable business. We are very focused on reaching that position as soon as we can, albeit, we will not compromise on adhering to our strategy, nor our commitment to quality in what we do.

Finally, I wish to acknowledge the commitment and leadership of our CEO, Michael Johnson and his management team and staff. Michael continues to seek to innovate and drive our business, and our Board is fully aligned and supportive of the efforts of our Executive Team and staff.



**RON DEWHURST**  
CHAIRMAN

For personal use only

For personal use only

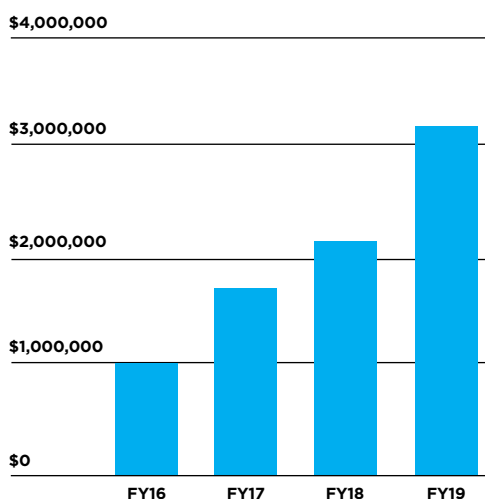




## LETTER FROM THE CEO

2019 was a pivotal year for Rhinomed. We reached several critical milestones that have set a solid foundation for the coming years.

### REVENUE



These milestones included:

- 50% year on year revenue growth up to \$3.3m up from \$2.2m in FY19.
- Established a global retail network of 12,000 stores that are now stocking Rhinomed technology.
- Expanded our technology platform from a two product offering to 4 products across multiple consumer health categories - Turbine, Mute, Pronto Clear and Pronto Sleep.

- In addition to completing designs and commencing production we successfully registered the new Pronto products with the US FDA, the Australian TGA and received a CE Mark from the European authority.
- Continued to prudently invest in building awareness of our brands within both consumer health market and the sleep, sleep dental and ENT clinical markets.
- Reported via major US trade magazine DrugStoreManagement - that Mute was now the fastest growing product in the US drug store nasal strip category.
- Continued to make ground with key opinion leaders who are in increasing numbers using and recommending Mute as a non-drug, low invasive solution for nasal obstruction.
- Successfully licensed the proprietary technology platform for use in the rapidly growing American medical cannabis and CBD market to Columbia Care, one of the USA's largest and most experienced Medical Cannabis operators.

For personal use only

Since establishing Rhinomed's initial technology platform in 2014 we have steadfastly executed a strategy that seeks to socialise our technology and expand its applications across multiple markets. From day one the board and I have also set a goal of being a global company, not just an Australian focused business. I am pleased to report that we have delivered on these objectives.

It is worth remembering the several key assumptions that underpin our strategy:

- Sleep will become a major health issue for tens of millions of people globally as emerging medical research increasingly points to poor sleep as a contributor to chronic disease.
- Existing sleep apnea technologies fail to meet the clinical, patient or economic need of the healthcare system - as they are defined by their high cost and low patient compliance. There is a clear unmet need for cheaper, highly accessible, low invasive solutions to sleep disturbed breathing and associated conditions.

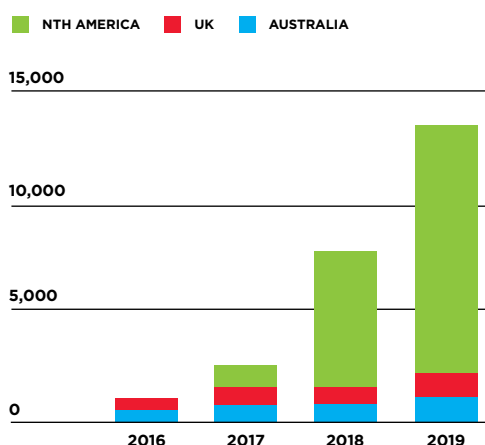
- As wearable technology becomes more omnipresent, the question will turn to not how good your sleep was, but what you can do to improve it.
- The nose, as the entrance to the airway, plays a major role in how well and efficiently the rest of the airway functions.
- Pharmacies are the major channel through which people access the vast majority of their healthcare solutions - globally - yet this channel has been ignored by the sleep industry.

As mentioned in our 2017 and 2018 Annual Reports and reinforced again in 2019, we are executing a clear strategy that plays to these major trends.

**YEAR ON YEAR SUCCESS**

We are pleased to report that our growth has continued throughout FY19.

Mute continues to attract the attention of both consumers and retailers alike.

**STORE GROWTH**

After our initial ranging in Walgreens we have seen significant expansion into other major retailers including CVS and Rite Aid. This strong growth was recognised in the IRI data to the end of April 2019 which showed that Mute was in fact the fastest growing product in the nasal strip category.

This is significant on several fronts. Firstly, this category has been dominated by GSK's BreatheRight nasal strip for close to 20 years. Secondly, we have achieved this growth off both a lower store base and lower promotional expenditure budget. This growth rate reflects not only Mute's compelling proposition but also positions Rhinomed well for future growth as more and more retailers seek to include the fastest growing brand in their nasal strip categories.

**NASAL STRIP CATEGORY**

BRAND	SALES \$	CHANGE %	SHARE \$	UNIT SALES	CHANGE %	AVG PRICE	AVG PRICE CHANGE
Breathe Right Extra	\$11,574,297	-16.70%	\$31.28	937,921	-15.40%	\$12.34	-\$0.18
Breathe Right	\$10,829,768	-3.00%	\$29.27	942,397	6.40%	\$11.49	-\$1.11
Private label strips	\$9,881,882	2.90%	\$26.71	1,072,558	6.80%	\$9.21	-\$0.36
<b>RHINOMED MUTE</b>	<b>\$1,476,215</b>	<b>56.60%</b>	<b>\$3.99</b>	<b>80,974</b>	<b>57.20%</b>	<b>\$18.23</b>	<b>\$0.07</b>

Source: IRI data: US based Drug Stores only. 52 week period ended April 21 2019 Total US drug store

Over the last 12 months we have also continued to build on the strong support from both Sleep Specialists and Sleep Dentists. Both these critically important groups of clinicians are seeking to provide solutions to the millions of people suffering from Obstructive Sleep Apnea. The current battery of solutions are dominated by the CPAP and Mandibular Advancement Splint. Both therapies seek to treat the occlusion - the obstruction, however the compliance of both therapies is compromised if the patient suffers from nasal obstruction.

Mute, as a non drug solution to nasal obstruction, is increasingly used as a viable solution by these clinicians when dealing with nasal obstruction.

## EXPANDING OUR PLATFORM

As tens of thousands of people around the world become aware of, and try, Mute we are not only growing our position as a front line solution to sleep and respiratory issues, we are also building a major franchise in the global sleep market. This is a critically important step. Socialising people with the concept of using our nasal technology platform significantly de risks our more sophisticated clinical and consumer health programs.

In FY19 we made great strides in advancing our platform technology. We finalised design and commenced production of two revolutionary new products - Pronto Clear and Pronto Sleep. The new Pronto range delivers combined natural stenting of the nose with a proprietary formulation of natural essential oils.





## PRONTO CLEAR

With Pronto Clear Rhinomed is responding to the needs of the millions of people who struggle with night time nasal congestion. Pronto Clear is a natural way of clearing a stuffy nose. It also provides a unique opportunity for millions of people to breathe clearly overnight and as a result enjoy much better sleep.

With the global decongestion market alone expected to exceed US\$19 billion by 2024, Rhinomed believes that Pronto Clear represents a significant opportunity over the long term.

## PRONTO SLEEP

For millions of people, getting to sleep can be a very real challenge. Indeed, according to Brand Essence Research the Global Sleep Aids Market is expected to reach US\$9.4 billion by 2025. People who struggle to get to sleep can often report a growing sense of anxiety which only further exacerbates this situation.

Nasal breathing has long been recognised as a way of relaxing. Pronto Sleep not only stents the nose, improving nasal breathing, the addition of an 'essential oil' based formulation will amplify this effect offering a new non-drug alternative for the millions of people who face this challenge.

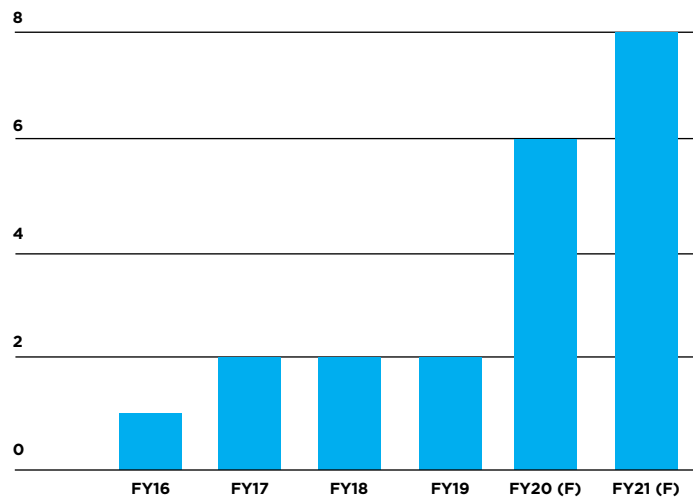
As FY19 comes to a close we were pleased to not only have successfully registered the Pronto range with the US FDA, Australian TGA and the European Authority (CE Mark) but we were also able to confirm that Walgreens in the US would start stocking Pronto Sleep in close to 1,000 stores. We envisage that over the course of FY20 both Pronto products will begin being stocked by an ever increasing number of retailers.

For personal use only

For personal use only

## PIPELINE OF OPPORTUNITY

### PRODUCTS IN MARKET



In September 2018 Rhinomed announced a licensing agreement with US based Columbia Care - one of America's largest and most experienced cannabis operators. The program with Columbia Care is the first time that Rhinomed has licensed the platform to deliver a 'drug' - in this case - CBD and medical cannabis formulations.

The program will initially utilise the company's Airstream platform - the same platform that Pronto utilises. It is envisaged that in due course the company will develop a new range of drug eluting nasal stents that can be used for prescription applications - with a particular focus on targets such as Pain, Obstructive Sleep apnea and CNS disorders.

Over the next 24 months Rhinomed is intending to significantly expand our portfolio of products. We will seek to exploit our unique technology position in markets where nasal delivery provides a unique and compelling consumer health and clinical proposition.

While the Columbia Care program is exclusive to the USA, there is significant opportunity in other markets where CBD has been legalised. Rhinomed will seek to commercialise the pipeline in these markets either with partners or where it makes strategic sense, in house.

**DEVELOPMENT PIPELINE**

GLOBAL MARKETS	TECHNOLOGY	IN MARKET	PIPELINE			
SPORT	Stent	<b>Turbine</b>				
SNORING		<b>Mute</b>	CY20	CY21	LICENSING OPPORTUNITIES	
SLEEP	Airstream Platform	<b>Pronto Sleep</b>	Pronto Sleep Plus - CBD	Pronto Sleep Performance - CBD	Obstructive Sleep Apnea - Medical Cannabis	INSOMNIA
COUGH, COLD, CONGESTION		<b>Pronto Clear</b>	Pronto Allergy Relief - CBD		Non-Steroidal Anti-Inflammatory Drugs (NSAIDS)	COPD
NAUSEA			Pronto Nausea Relief - CBD	Pronto Travel - CBD		
PAIN					Pronto Migraine Relief - CBD	MIGRAINE
ANXIETY				Pronto Calm - CBD	Pronto Focus - CBD	PTSD

**PLATFORM SET FOR FY20**

I would like to thank our entire team who have worked tirelessly to deliver on our strategy. Rhinomed has a strong and vibrant culture and we are particularly proud that we have attracted a team that brings significant diversity in background, experience, ideas and attitude to our task. We may be a truly diverse team, we are unashamedly homogeneous in our values. It is these two traits which I believe has enabled Rhinomed to achieve so much in a relatively short space of time. Rhinomed continues to demonstrate that Australian technology companies can not only create unique and disruptive innovation, but are also able to commercialise this innovation through world's best practice when it comes to strategy and execution.

We are grateful for the ongoing support of the many clinicians and opinion leaders that endorse and use our products on a daily basis - in the clinic, in interviews and at conferences.

I wish to sincerely thank Chairman Ron Dewhurst and fellow Directors, Brent Scrimshaw and Dr Eric Knight, for their significant support in ensuring we deliver on our mission to change the way the world breathes.



**MICHAEL JOHNSON**  
CEO

For personal use only

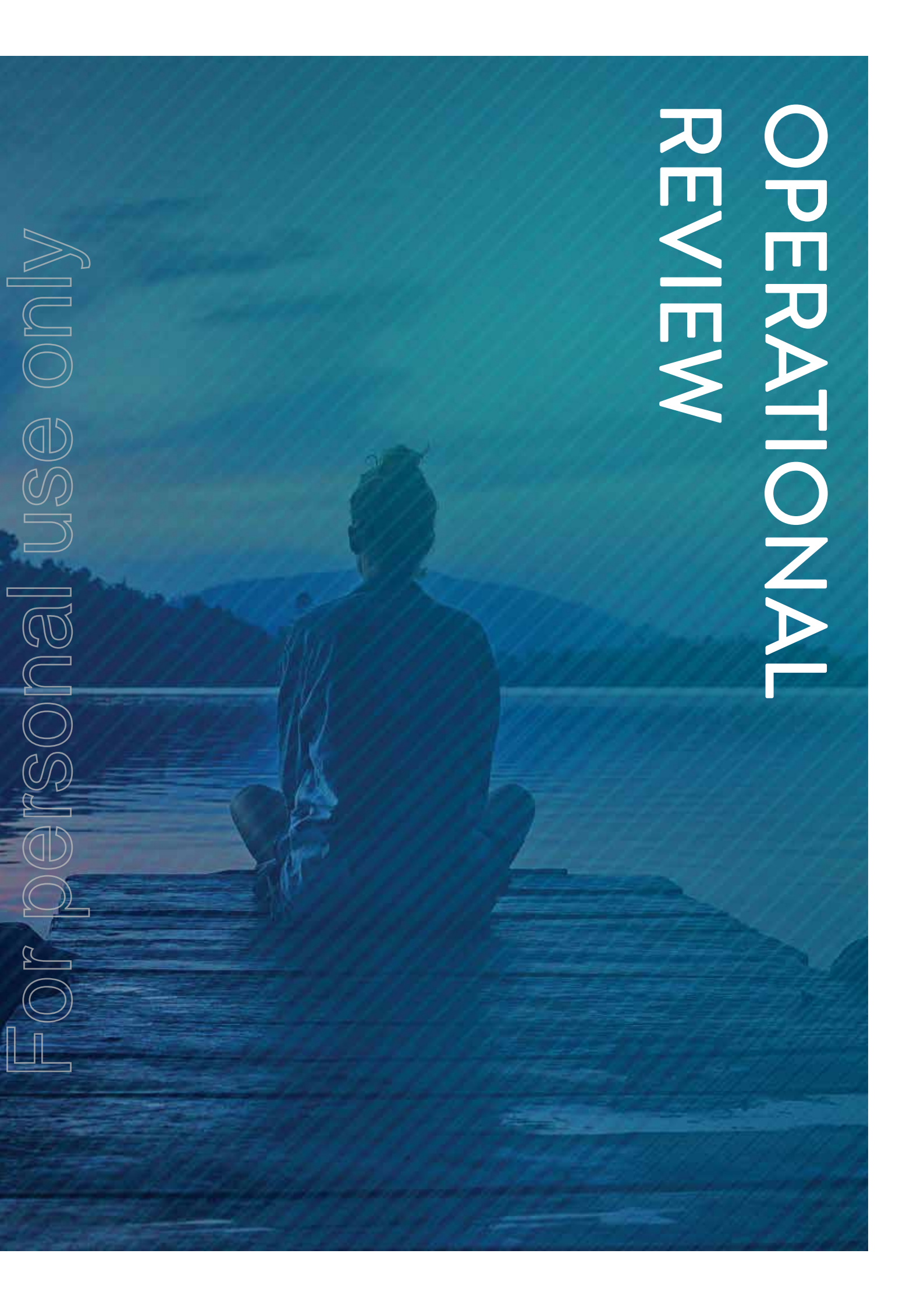
For personal use only





# OPERATIONAL REVIEW

For personal use only



## REVIEW OF OPERATIONS AND ACTIVITIES

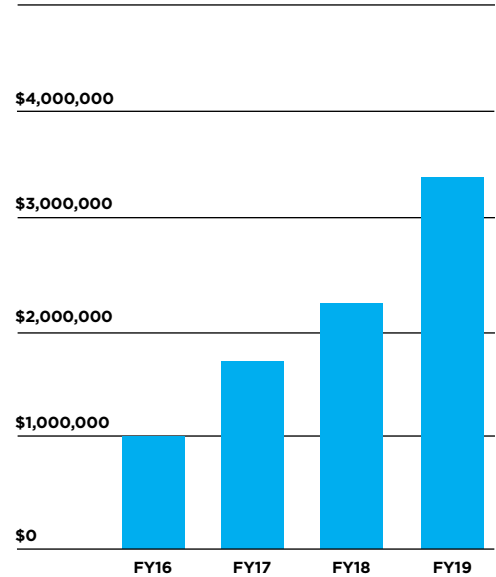
Rhinomed Limited ('Rhinomed Group') is seeking to radically improve the way millions of people around the world breathe, sleep, maintain their wellness and take medication.

Our strategy is to commercialise our platform technology and ensure our products are accessible through the world's leading pharmacies, are endorsed and recommended by clinicians and that our platform is utilised by leading medical and pharmaceutical companies to improve the lives of people all around the world.

Pleasingly, your Directors can report that in FY19 the Group made significant progress in achieving these outcomes. The following major milestones were achieved:

- The Group generated strong revenue growth in each quarter of the financial year from the sales of its proprietary nasal technology and closed the year reporting \$3,285,982 of revenues - up more than 50% on 2018 (\$2,169,176).

FINANCIAL YEAR REVENUE



- Net cash used in operating activities was \$4.49 million (up from \$3.85 million in FY18) reflecting a focus on strategic investment in revenue generation.
- The Group held cash reserves of \$1,421,315 at 30 June 2019, an increase from \$1,263,122 for the corresponding period end of 30 June 2018.

For personal use only

- The Group's net assets decreased slightly over the financial year to \$4,620,765 at 30 June 2019 from \$4,766,912 as at 30 June 2018. The net carrying value of the Group's intangible assets of \$2,954,995 remains consistent with the previous period allowing for amortisation charges.
- Store count continued to grow significantly to approx. 11,800 stores by the end of FY19.
- The Group shipped 252,952 units to customers throughout FY19.

#### OPERATIONAL COMMENTARY

In line with the Group's strategy, Mute continues to be a major area of growth. Nasal congestion, snoring and poor sleep continue to emerge as major contributors to poor health outcomes and chronic disease. Pleasingly over the course of FY19, Mute became the fastest growing brand in the US pharmacy/drug store nasal strip category (56% CAGR) for the 12-month period ended April 2019 according to independent research group IRI ([www.drugstoremanagement.com](http://www.drugstoremanagement.com)). This provides further confidence in Rhinomed's underlying strategy for sleep in the over-the-counter (OTC) pharmacy market. The Group believes that the unmet clinical need for a range of OTC, non-drug, low cost, low invasive, well tolerated solutions is compelling.

The Turbine brand, while not contributing materially to Group results, remains an integral part of the socialisation process of nasal technology. The Group will continue to assess the fit for this technology within the global sport and exercise market.

#### REVOLUTIONARY NEW PRONTO TECHNOLOGY SUITE

Over the course of the financial year, Rhinomed finalised its new range of technology – the revolutionary new Pronto rechargeable, dual action, vapour release technology. This technology utilises our extensive intellectual property portfolio.

Based on the Group's existing BreatheAssist nasal dilator technology (Mute and Turbine), the new Pronto OTC range includes the novel Airstream™ release system that allows a continuous release of an essential oil blend into the nasal airstream over a set period of time. By combining this new vapour release technology with Mute's stenting action, Rhinomed provides users with a unique dual action device that not only improves nasal airflow but also delivers a soothing blend of pure essential oils traditionally known to help clear a stuffy nose or to help you sleep better naturally.

For personal use only

RHINOMED  
2019

16

For personal use only

Pronto also includes a novel recharging and storage case that allows Pronto to be recharged before each use. When Pronto is stored in its case in the recharge position, the Pronto device is replenished with the essential oil formulation so it is ready for use again.

The Pronto range went into production in March 2019 with first delivery to our retail partner Walgreens at the end of May to ensure an on-shelf presence in July 2019.

Pleasingly, in parallel to this development and sell in program, Rhinomed also successfully registered the Pronto range with the Australian TGA, the US FDA and the European Authority as a Class I medical device. This is another critical step in ensuring that the Pronto range can be sold globally and will further assist the Group in its business development activities.

This move from having Mute deliver the vast majority of revenues to a broader portfolio of offerings underpins our strategy for delivering growth for investors over the coming years.

The Group delivered strong gross margins throughout FY19 and has maintained these during the sell-in process with major retailers. Sales and marketing costs for FY19 have been in line with expectations

reflecting the cost of promotional campaigns to support new retail accounts and growth in brand awareness in these markets. This investment is vital to ensuring the Group meets store sell-through expectations in key markets.

The Mute brand continues to grow its awareness amongst both consumers and clinicians. Mute is increasingly being offered as a companion therapy by the rapidly growing sleep dentistry profession. Rhinomed exhibited at the American Dental Sleep Medicine conference and attended the American Sleep Medicine conference in June 2019 in San Antonio, Texas. Dentists treating sleep disorders are increasingly utilising Mute to resolve nasal obstruction as it is an inexpensive, universally accessible, non-drug alternative. We are pleased to see Mute's inclusion in sleep dental education courses as this mode of therapy grows.

The Group continues to believe that Mute can grow to be a major leader within the OTC retail pharmacy sleep and nasal congestion categories and a front-line solution for sleep related breathing disorders. Mute's performance and the entry of the new Pronto range should assist Rhinomed's goal of being the number one global OTC sleep brand.

Staff numbers remained stable over the course of the year. The Group will continue to monitor corporate and overhead costs to ensure timely investment and appropriate levels of expenditure.



## DISTRIBUTION

Over the course of the financial year, the Group continued to build relationships with several important retailers and wholesalers globally.

- The Group currently sells its technology through wholesalers, retail stores and clinics in the US, Canada, the UK, Taiwan and Australia/New Zealand. This retail footprint is supplemented by an online presence on Amazon and other e-commerce sites.
- In the US, the Group had established relationships with drug store chains with over 9,500 stores.
- In Australia, the Group decided to bring back in house its Australian distribution, this has since delivered a strong return with positive growth in both revenues, brand awareness and store count. Over 1,300 stores now stock our technology in Australia with close to 1,000 stores stocking the product in the UK.
- Globally, store count closed at the end of the financial year at approximately 11,800. With the vast majority of this growth occurring in the second half of FY19.

For personal use only

## KEY PRODUCTS

Our proprietary technology platform enables the development of multiple applications. The Group has already commercialised two applications both internally and with a potential partner. Turbine and Mute are individually customisable nasal dilators that enhance nasal breathing and reduce congestion without placing pressure on the septum.

- Mute is designed to increase airflow and reduce snoring, thereby supporting sleep quality. Mute is light and flexible and can be worn comfortably during sleep. An independent in-home user trial, peer-reviewed literature reviews and market research in the US, UK and Australia has assisted in developing an understanding of the scope of the global market opportunity for breathing technologies.
- Turbine is designed to make breathing easier during aerobic exercise and activity. Because retention in the nose during these activities is vital, Turbine employs more robust materials and retention features on the paddles and curved arms to hold the device in place during intense exercise.
- Pronto Sleep is a unique vapour

inhaler that gently opens the nose and delivers a soothing blend of four pure essential oils that are traditionally known to help with relaxation and improved sleep. Pronto Sleep targets those consumers seeking to find a non-drug way of helping them to get to and stay asleep.

- Pronto Clear combines the benefits of a nasal dilator, to open the nose and improve airflow, with the ability to deliver the vapours of six pure essential oils traditionally known to clear a stuffy nose naturally.

## REGULATORY STATUS

- Mute and Turbine and the Pronto range are registered as a Class I product with regulatory authorities in several key markets - in Australia with the TGA, in the US with the FDA, in Europe where it has received a CE Mark. In addition, Mute and Turbine are registered as Class I products in Canada with Canada Health, and in Taiwan with the Taiwanese FDA.

For personal use only



For personal use only





**PLATFORM TECHNOLOGY R&D**

The Group has created a compelling platform technology capable of meeting a number of clear unmet clinical and consumer health needs. This platform is protected by patents both granted and pending across multiple jurisdictions. To prove out the value of this platform the Group is continuing to design, develop and assess a range of opportunities where nasal drug delivery resolves significant issues encountered by other delivery methods.

In early 2018, the Group completed a licensing agreement with one of the US's largest medical cannabis operators, Columbia Care. The Group expects that this will in time result in the development of a portfolio of products utilising the Group's proprietary nasal technology to deliver cannabis formulations. The Group believes that this relationship will unlock a number of significant opportunities in the US – the fastest growing medical cannabis market in the world. We will continue to assess this opportunity globally and examine the potential for further collaboration and revenue creation.

Rhinomed continues to build a reputation and to be recognised as an innovator and global leader in improving nasal airflow, breathing and sleep. R&D expenditure remains conservative as the Group leverages the existing technology infrastructure. R&D investment during FY19 was \$373k.

**CORPORATE**

As outlined in the FY19 Q4 quarterly statement, the \$2.0 million working capital facility was rolled over. This facility was not utilised during the current financial year.

**FINANCIAL POSITION**

- The Group held cash reserves of \$1,421,315 at 30 June 2019 (2018: \$1,263,122), an increase from the previous period end.
- The Group's net assets were \$4,620,765 compared with \$4,766,912 for the previous year.
- The net carrying value of the Group's intangible assets was \$2,954,995 compared with \$3,316,623 for the previous year.
- The Group recorded a total comprehensive loss for the period of \$5,947,193 after tax reflecting the continuing investment in positioning the technology at the forefront of the sleep market.

For personal use only

For personal use only



# INTELLECTUAL PROPERTY

For personal use only

For personal use only

## INTELLECTUAL PROPERTY

Rhinomed has continued to significantly build upon its formal IP portfolio over 2018-19. Existing and new intellectual property has been diligently prosecuted in all relevant jurisdictions, with numerous cases successfully proceeding to Grant status. Highlighted developments in the intellectual property portfolio include:

- Continued development of patent applications protecting key aspects of the Mute, Turbine and INPEAP devices.
- The Grant of Design applications in key regions, filed to protect the appearance of the Turbine and INPEAP devices.
- The further Grant of important trademark applications, particularly for TURBINE and MUTE.
- The filing of an entire suite of new trademark, design and patent applications in relation to the new PRONTO device and its recharging container.

## PATENTS

## NASAL DILATOR DEVICES - MUTE

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	PCT/AU2014/000649	
New Zealand	629495	Granted
Taiwan	104119729	Filed
Australia	2014398172	Filed
Brazil	BR1120160296753	Filed
Canada	CA 2,952,261	Filed
China	2014800805899	Filed
European Union	14895038.9	Filed
Hong Kong	17107450.9	Filed
India	201727000001	Filed
Japan	2016-574088	Allowed
Republic of Korea	10-2017-7001614	Filed
Malaysia	PI 2006704619	Filed
Russia	2017101211	Granted
United States of America	15/319,940	Filed

For personal use only

RHINOMED  
2019

26

**PATENTS**

**NASAL DILATOR DEVICES - TURBINE**

<b>COUNTRY / JURISDICTION</b>	<b>PATENT / APPLICATION NO.</b>	<b>STATUS</b>
International(PCT)	PCT/AU2015/050032	
New Zealand	727784	Filed
Taiwan	104119734	Filed
Australia	2015278239	Filed
Brazil	BR1120160299140	Filed
Canada	2,952,265	Filed
China	2015800332298	Filed
European Union	15809245.2	Filed
Hong Kong	N/A	Filed
India	201727001322	Filed
Japan	2016-574177	Filed
Republic of Korea	10-2017-7001486	Filed
Malaysia	PI 2016704618	Filed
Russia	2017100406	Granted
United States of America	15/319,941	Filed

For personal use only

**NASAL DILATORS ('INPEAP DEVICE')**

<b>COUNTRY / JURISDICTION</b>	<b>PATENT / APPLICATION NO.</b>	<b>STATUS</b>
International (PCT)	PCT/AU2015/050314	Completed
Australia	2015397594	Pending
New Zealand	737761	Pending
Brazil	BR 11 2017 025880 3	Pending
Canada	2,986,934	Pending
Eurasia	201792458	Pending
Europe	15893549.4	Pending
Hong Kong	To be filed	To be filed
India	201727045913	Pending
Japan	2017-562692	Pending
Malaysia	PI 2017704643	Pending
People's Republic of China	2015800807102	Pending
Republic of Korea	10-2017-7036957	Pending
South Africa	2017/08687	Accepted
United States of America	15/579,304	Pending

**NASAL DILATORS ('INPEAP CLINICAL')**

<b>COUNTRY / JURISDICTION</b>	<b>PATENT / APPLICATION NO.</b>	<b>STATUS</b>
Australia	2015903056	Pending
International	PCT/AU2016/050621	Completed
Australia	2016302387	Pending
Brazil	BR 11 2018 001794 9	Pending
Europe	16831962.2	Pending
Hong Kong	To be filed	To be filed
Japan	2018-502215	Pending
New Zealand	738947	Pending
People's Republic of China	ZL03825243.0	Pending
United States of America	7105008	Pending

**NASAL DILATORS - PRONTO**

<b>COUNTRY / JURISDICTION</b>	<b>PATENT / APPLICATION NO.</b>	<b>STATUS</b>
Australia	2019900241	Provisional application

## DESIGNS

### BELT

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	350709	Registered
Brazil	BR302013003518.2	Registered
India	255356	Registered
Japan	D2013-016585	Registered
Mexico	MX/f/2013/002100	Registered
European Union	002277434	Registered
Argentina	85.804	Registered
China	201330341154.3	Registered
New Zealand	417812	Registered
United States	29/461217	Registered
Canada	152145	Registered

### TURBINE I

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	352915	Registered
Canada	154473	Registered
China	201430013176.1	Registered
European Union	002376400	Registered
Japan	2013-030505	Registered
United States	29/479,493	Registered

For personal use only



**TURBINE II**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia	352986 (16408/2013)	Registered
European Union	002444562	Registered
India	261822	Registered
China	201430089717.9	Registered
United States of America	29/493,060	Registered
South Africa	F2014/00909	Registered
Japan	2014-012345	Registered
Korea	30-2014-0027588	Registered
Russia	2014502234	Registered
New Zealand	418886	Registered

**DILATOR - FILTER**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia	356549	Certified
European Union	002601088-0001	Registered
United States	29/512,496	Registered
Japan	2014-028705	Registered
China	201430539148.3	Registered
Canada	160233	Registered
Russia	2014505033	Registered
India	268145	Registered

For personal use only

**DESIGNS**

**DILATOR - WITH RATCHET**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia	356550	Certified
European Union	002601088-0002	Registered
United States	29/512,482	Registered
Japan	2014-028703	Registered
China	201430539174.6	Registered
Canada	160231	Registered
Russia	2014505035	Registered
India	268146	Registered

**DILATOR - WITHOUT RATCHET**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia	356551	Certified
European Union	002601088-0003	Registered
United States	29/512,492	Registered
Japan	2014-28704	Registered
China	201430539868.X	Registered
Canada	160232	Registered
Russia	2014505034	Registered
India	268144	Registered

For personal use only

**TURBINE 3.0**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia	201510495	Registered
Canada	162563	Registered
China	201530173446.X	Registered
European Union	00271324-0001	Registered
India	272761	Registered
Japan	D2015-013540	Registered
Russia	2015501656	Registered
United States	29/531,291	Registered

**INPEAP/CPAP DESIGN**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia	201512973	Registered
Canada	162563	Registered
China	201530448184.3	Registered
European Union	002870683	Registered
India	277845	Registered
Japan	2015-27358	Registered
Russia	2015504306	Registered
United States of America	29/547,579	Accepted

**INPEAP - NO ARM DESIGN**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia	201517103	Registered
European Union	003237924	Registered
United States of America	29/569,108	Accepted

RHINOMED  
2019

32

**DESIGNS**

---

**PRONTO - DEVICE**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia	201913296	Registered

**PRONTO - CONTAINER - EXTERIOR**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia	201913910	Filed

**PRONTO - CONTAINER - INTERIOR**

<b>COUNTRY / JURISDICTION</b>	<b>DESIGN / APPLICATION NO.</b>	<b>STATUS</b>
Australia - Divisional	TBA	To be filed

For personal use only

For personal use only



**TRADEMARKS**

**BO<sub>2</sub>LT DILATOR - WITH RATCHET**

<b>COUNTRY / JURISDICTION</b>	<b>CASE</b>	<b>STATUS</b>
Australia	1517641	Registered

**BREATHEASSIST**

<b>COUNTRY / JURISDICTION</b>	<b>CASE</b>	<b>STATUS</b>
United States of America	1111756	Registered
Australia BREATHE ASSIST; BREATHEASSIST; Breathe Assist; BreatheAssist	958713	Registered

**INPEAP**

<b>COUNTRY / JURISDICTION</b>	<b>CASE</b>	<b>STATUS</b>
Australia	1703812	Registered
	1703812	Protected

**MAKING EVERY BREATH COUNT**

<b>COUNTRY / JURISDICTION</b>	<b>CASE</b>	<b>STATUS</b>
Australia	TBC	Registered

For personal use only

## MUTE

COUNTRY / JURISDICTION	CASE NO.	STATUS
Argentina	3396439	Registered
Australia	1649558	Registered
Brazil	909.174.849	Registered
Canada	1721352	Registered
Chile	1148530	Registered
Colombia	1258450	Registered
Europe (EUIPO)	1258450	Protected
Hong Kong	303350330	Registered
India	1258450	Under Examination
Indonesia	D002015013080	Accepted
Japan	1258450	Protected
Malaysia	2015054734	Registered
Mexico	1258450	Protected
New Zealand	1258450	Protected
Norway	1258450	Protected
China	1258450	Protected
Korea	1258450	Protected
Singapore	1258450	Protected
South Africa	2015/08334	Protected
Switzerland	1258450	Protected
Taiwan	104016538	Registered
Thailand	171125381	Registered
United States of America	1258450	Protected

For personal use only

RHINOMED  
2019

36

## TRADEMARKS

### NASOBINOID, NASOBINOL NASOCANN, RHINOBINOID, RHINOBINOL, RHINOCAN

COUNTRY / JURISDICTION	CASE NO.	STATUS
USA - NASOBINOID	87/872,102	Issued
USA - NASOBINOL	87/872,089	Issued
USA - NASOCANN	87/872,094	Issued
USA - RHINOBINOID	87/872,078	Issued
USA - RHINOBINOL	87/872,109	Issued
USA - RHINOCAN	87/872,061	Issued

### RHINOMED

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1579247	Registered
Europe	1207112	Protected
USA	1207112	Protected

### SLEEP ASSIST; SLEEP ASSIST; SLEEP ASSIST; SLEEP-ASSIST; SLEEP ASSIST;

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1043158	Registered

### TURBINE

COUNTRY / JURISDICTION	CASE NO.	STATUS
Argentina	3369154	Registered
Australia	1568756	Registered
Brazil	908.545.436	Accepted
Canada	1647839	Registered
Colombia	1191436	Protected
Europe (OHIM)	1191436	Protected
Hong Kong	303173896	Registered
India	1191436	Accepted

For personal use only



**TURBINE CONT.**

<b>COUNTRY / JURISDICTION</b>	<b>CASE NO.</b>	<b>STATUS</b>
Indonesia	D00 2014 050422	Registered
Japan	1191436	Protected
Malaysia	2014065924	Registered
Mexico	1191436	Protected
Norway	1191436	Protected
New Zealand	1024018	Registered
China	1191436	Protected
Korea	1191436	Protected
Singapore	1191436	Filed
South Africa	2014/28750	Accepted
Switzerland	1191436	Protected
Taiwan	103062558	Registered
Thailand	964150	Filed
United States of America	1191436	Protected

**PRONTO**

<b>COUNTRY / JURISDICTION</b>	<b>CASE NO.</b>	<b>STATUS</b>
Australia	1985810	Filed
International Registration filed Designating: Canada, Switzerland, China, Colombia, European Union, United Kingdom, Indonesia, India Japan, Republic of Korea, Mexico, Norway, New Zealand, Singapore, Thailand	TBC	Filed
Argentina	3822981	Filed
Brazil	917832167	Filed
Chile	1331095	Filed
Taiwan	108048992	Filed
Hong Kong	305007546	Filed
South Africa	TBA	Filed
Malaysia	2019/20882	Filed

## CORPORATE DIRECTORY

### DIRECTORS

MR MICHAEL JOHNSON  
*Chief Executive Officer and  
Managing Director*

DR ERIC KNIGHT  
*Non-Executive Director*

MR RON DEWHURST  
*Non-Executive Chairman*

MR BRENT SCRIMSHAW  
*Non-Executive Director*

---

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

L1, 132 Gwynne St, Richmond  
VIC 3121 Australia  
**T** +61 (0) 3 8416 0900  
**F** +61 (0) 3 8080 0796

### SHARE REGISTER

Automatic Share Registry  
Level 5, 126 Phillip Street  
Sydney NSW 2000  
**T** +61 (0) 2 9698 5414

---

### STOCK EXCHANGE LISTINGS

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](http://www.rhinomed.global)

For personal use only

**COMPANY SECRETARY**

MR PHILLIP HAINS

**AUSTRALIAN COMPANY  
NUMBER (ACN)**

107 903 159

Rhinomed Limited is a Public  
Company Limited by shares and is  
domiciled in Australia.

**AUDITOR**

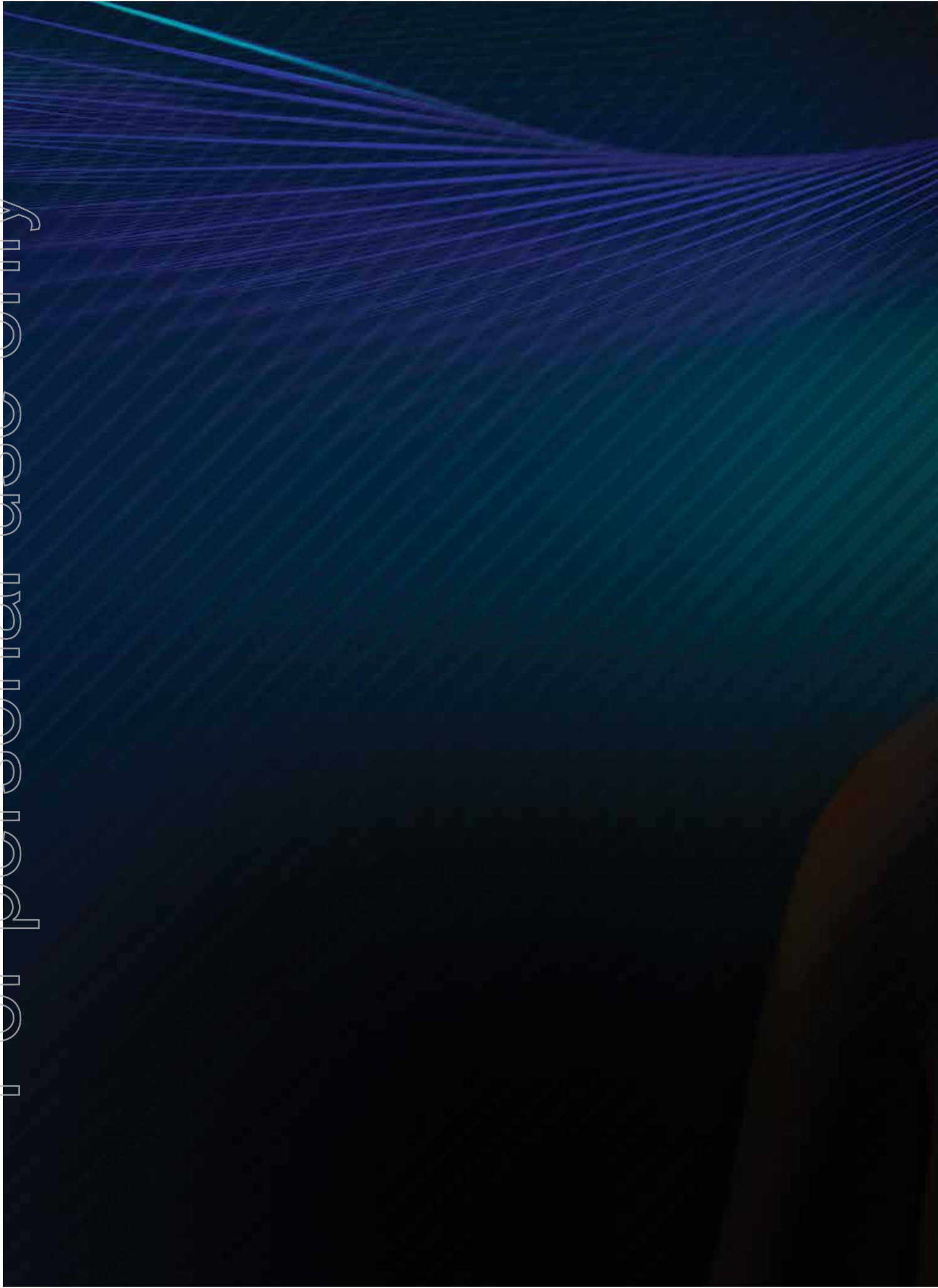
HLB Mann Judd  
Level 9, 575 Bourke Street  
Melbourne VIC 3000  
T +61 (0) 3 9606 3888

**BANKERS**

National Australia Bank (NAB)  
330 Collins Street,  
Melbourne, Victoria,  
3000 Australia

For personal use only

For personal use only





# DIRECTORS' REPORT

For personal use only

For personal use only

Your Directors present their report on the consolidated entity consisting of Rhinomed Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019. Throughout the report, the consolidated entity is referred to as the Group.

#### **DIRECTORS**

The following persons held office as Directors of Rhinomed Limited during the whole of the financial year and up to the date of this report, except where 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*

#### **PRINCIPAL ACTIVITIES**

The Group's principal activities in the course of the financial year were 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**

No dividends were declared or paid to members for the year ended 30 June 2019 (2018: nil). The Directors do not recommend that a dividend be paid in respect of the financial year.

## REVIEW OF OPERATIONS AND ACTIVITIES

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities on pages 12 to 21.

### EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 12 September 2019, Rhinomed Limited commenced listing on the OTCQB market in the United States under the trading code 'RHNMF'. This was followed by the 23 September 2019 announcement of a \$6 million capital raising (before costs) by way of a private placement of 27,272,735 shares at \$0.22 each. These shares were allotted on 26 September 2019.

No other matter or circumstance has arisen since 30 June 2019 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 ISSUES

The Group is not affected by any significant environmental regulation in respect of its operations.

## INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

<b>MR MICHAEL JOHNSON</b>	<b>EXECUTIVE DIRECTOR &amp; CHIEF EXECUTIVE OFFICER</b>
---------------------------	---

<b>EXPERIENCE AND EXPERTISE</b>	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 envision and create new growth and innovation, manage and grow 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's degree in Entrepreneurship and Innovation from Swinburne University and a Bachelor's degree with distinction in business from Monash University.
<b>Date of appointment</b>	1 February 2013
<b>Committees</b>	Member of the Audit Committee
<b>Other listed company directorships in the past 3 years</b>	-
<b>Interest in shares</b>	385,934 ordinary fully paid shares
<b>Interest in options</b>	7,000,000 options

For personal use only



For personal use only

<b>MR RON DEWHURST</b>	<b>NON-EXECUTIVE CHAIRMAN</b>
EXPERIENCE AND EXPERTISE	Mr Dewhurst has spent 40 years in the Investment Banking and Asset Management Industries, covering Australia, Asia, Europe and America. In 1992 he joined J P Morgan where he ran the Asian and European equities divisions in Hong Kong and London before being appointed Head of Americas for J P Morgan Asset Management. In 2004, he was CEO of IOOF Holdings Ltd and from 2008 until 2013 he was Senior Executive Vice President and Head of Global Investment Managers for Legg Mason Inc based in the USA. Previously, Mr Dewhurst worked within Melbourne-based broking firm McCaughan Dyson going on to become CEO of what became ANZ McCaughan Ltd.
Date of appointment	1 December 2015
Committees	Member of the Remuneration and the Audit Committee
Other listed company directorships in the past 3 years	OneVue Holdings Limited (ASX: OVH), since 6 October 2016 Sprott Inc. (TSX: SII), since 9 January 2017
Interest in shares	8,200,000 ordinary fully paid shares
Interest in options	3,000,000 options

RHINOMED  
2019

46

**MR BRENT SCRIMSHAW**

**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 became Vice President and Chief Executive of Western Europe and a member of the global corporate leadership team, he was responsible of many of Nike's major growth and brand strategies. He was CEO and co-founder of Unscriptd Ltd, and he is a non-executive director of Catapult Group International Limited (ASX: CAT) and Kathmandu Holdings Limited (ASX/NZX: KMD).

Date of appointment

12 February 2014

Committees

Chair of the Remuneration Committee

Other listed company  
directorships in the past  
3 years

Catapult Sports Ltd (ASX: CAT), since 24 November 2014  
Kathmandu Holdings Limited (ASX/NZX: KMD),  
since 2 October 2018

Interest in shares

108,918 ordinary fully paid shares

Interest in options

2,500,000 options

**DR ERIC KNIGHT**

**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. He specialises in strategy implementation and corporate innovation in the healthcare, digital media, and financial services sectors. Dr Knight draws upon his expertise to support the organisation's internationalisation and commercialisation strategy. Dr Knight is a Graduate of the Australian Institute of Company Directors and is based at the University of Sydney Business School, where he leads strategy and entrepreneurship teaching in the Master of Business Administration.

Date of appointment

12 February 2014

Committees

Chair of the Audit Committee  
Member of the Remuneration Committee

Other listed company  
directorships in the past  
3 years

-

Interest in shares

76,158 ordinary fully paid shares

Interest in options

2,500,000 options

## COMPANY SECRETARY

RHINOMED  
2019

47

The Company secretary is Mr Phillip Hains, appointed to the position on 24 December 2012. Mr Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees.

He has over 30 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT University and a Public Practice Certificate from the Chartered Accountants Australia and New Zealand.

For personal use only

RHINOMED  
2019

48

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

	FULL BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
MR MICHAEL JOHNSON	9	9	7	7	-	-
MR RON DEWHURST	9	9	6	7	1	1
MR BRENT SCRIMSHAW	9	9	-	-	1	1
DR ERIC KNIGHT	8	9	7	7	1	1

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

For personal use only

**REMUNERATION REPORT  
(AUDITED)**

RHINOMED  
2019

49

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A. REMUNERATION POLICY	50
B. DETAILS OF REMUNERATION	52
C. SERVICE AGREEMENTS	54
D. SHARE-BASED COMPENSATION	56
E. RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND GROUP PERFORMANCE	57
F. KEY MANAGEMENT PERSONNEL DISCLOSURES	58

For personal use only

## A. REMUNERATION POLICY

---

### PRINCIPLES OF COMPENSATION

The Board's policies for determining the amount and nature of compensation of key management personnel of the Group are as follows:

The compensation structure for key management personnel 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 key management personnel is embodied in individual service contracts that include incentives designed to reward key management personnel 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 key management personnel (KMP) receive a base remuneration;
- III. Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met; and

- IV. Incentives paid in the form of options are designed to align the interests of the Director and Company 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.

### FIXED 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.

### PERFORMANCE LINKED REMUNERATION

Performance linked compensation includes short-term incentives (STI), in the form of cash bonuses usually paid upon the achievement of predetermined KPIs.

Long-term incentives (LTI) provided are options over ordinary shares in the Group.

For personal use only

Performance remuneration is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. Incentive based payments may be granted to executives based on specific annual targets and KPI being achieved. KPIs include financial and/or operational performance targets. In addition, equity payments in the form of share options may be issued to KMP to further encourage loyalty, share price increase and the alignment of personal and shareholders' interests.

#### **SHORT-TERM INCENTIVES (STI)**

STI bonuses were granted to KMP during the financial year ended 30 June 2019.

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual and the Group's achievement.

#### **LONG TERM INCENTIVES (LTI)**

Options granted to KMP during the financial year ended 30 June 2019 are shown in item (d) of this remuneration report.

#### **RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND THE GROUP'S 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. It also comprises the issue of options to Directors and executives to encourage 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. Further details are provided in item (e) of this remuneration report.

## **B. DETAILS OF REMUNERATION**

---

### **AMOUNTS OF REMUNERATION**

The key management personnel consisted of the following Directors of Rhinomed Limited:

- **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*

And the following other key management personnel:

- **Mr Sean Slattery**  
*Chief Financial Officer  
(appointed 1 December 2018)*
- **Mr Shane Duncan**  
*Vice President Global Sales  
and Marketing (resigned 28  
November 2018)*

Details of the remuneration of the key management personnel of the Group are set out in the following tables.

For personal use only



RHINOMED  
2019

53

2019	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL	PROPORTION OF REMUNERATION PERFORMANCE RELATED
	CASH SALARY AND FEES \$	CASH BONUS <sup>1</sup> \$	NON-MONETARY \$	SUPER-ANNUATION \$	LONG SERVICE LEAVE \$	EQUITY-SETTLED \$		
<b>NON-EXECUTIVE DIRECTORS:</b>								
RON DEWHURST	95,890	-	-	9,110	-	307,950	412,950	75%
BRENT SCRIMSHAW	111,755	-	-	6,218	-	153,975	271,948	57%
ERIC KNIGHT	65,449	-	-	6,218	-	153,975	225,642	68%
<b>EXECUTIVE DIRECTORS:</b>								
MICHAEL JOHNSON	304,670	115,000	-	20,330	-	307,950	747,950	57%
<b>OTHER KEY MANAGEMENT PERSONNEL:</b>								
SEAN SLATTERY <sup>2</sup>	133,181	-	-	12,652	-	-	145,833	0%
SHANE DUNCAN <sup>3</sup>	156,175	-	-	-	-	-	156,175	0%
	<b>867,120</b>	<b>115,000</b>	<b>-</b>	<b>54,528</b>	<b>-</b>	<b>923,850</b>	<b>1,960,498</b>	
<b>2018</b>								
<b>NON-EXECUTIVE DIRECTORS:</b>								
RON DEWHURST	76,712	-	-	7,288	-	-	84,000	0%
BRENT SCRIMSHAW	54,795	-	-	5,205	-	-	60,000	0%
ERIC KNIGHT	54,795	-	-	5,205	-	-	60,000	0%
<b>EXECUTIVE DIRECTORS:</b>								
MICHAEL JOHNSON	254,951	87,500	-	20,049	-	-	362,500	24%
<b>OTHER KEY MANAGEMENT PERSONNEL:</b>								
SHANE DUNCAN	251,501	-	-	-	-	-	251,501	0%
	<b>692,754</b>	<b>87,500</b>	<b>-</b>	<b>37,747</b>	<b>-</b>	<b>-</b>	<b>818,001</b>	

<sup>1</sup>Michael Johnson received a \$115,000 discretionary bonus for meeting key strategic, non-financial measures linked to drivers of performance in future reporting period performance, approved by the board in FY 2019. <sup>2</sup>Mr Sean Slattery appointed as Chief Financial Officer on 1 December 2018. <sup>3</sup>Mr Shane Duncan resigned as Vice President Global Sales and Marketing on 28 November 2018.

**C.**  
**SERVICE AGREEMENTS**

---

**CONTRACTUAL ARRANGEMENTS  
WITH EXECUTIVE KMPS**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

---

**Name:** Mr Michael Johnson

**Title:** Executive Director and Chief Executive Officer (*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. This contract includes a notice period of six months by either party. Mr Johnson's contract provides for redundancy pay of 36 weeks' pay given more than five years' continuous service if required under law (for example, if Rhinomed Limited is determined to be a 'small business', redundancy payments may be required). As a 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 1 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 a KMP, Mr Slattery is entitled to participate in the Group's 'employee share and option plan'.

---

For personal use only

## **NON-EXECUTIVE DIRECTOR ARRANGEMENTS**

In accordance with best practice corporate governance, the structure of Non-Executive Director and executive remuneration is separate and distinct.

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.

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

For personal use only

**D.  
SHARE-BASED COMPENSATION**

**ISSUE OF SHARES**

There were no issues of shares to key management personnel in the year ended 30 June 2019.

**OPTIONS**

The number of options over ordinary shares granted to and vested by key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2019	2018	2019	2018
MICHAEL JOHNSON	3,000,000	-	3,000,000	-
RON DEWHURST	3,000,000	-	3,000,000	-
BRENT SCRIMSHAW	1,500,000	-	1,500,000	-
ERIC KNIGHT	1,500,000	-	1,500,000	-
	<b>9,000,000</b>	<b>-</b>	<b>9,000,000</b>	<b>-</b>

The terms and conditions of each grant of options over ordinary shares affecting remuneration of key management personnel in this financial year or future reporting years are as follows:

GRANT DATE	VESTING DATE AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER OPTION AT GRANT DATE
14/12/2018	14/12/2018	21/12/2021	\$0.287	\$0.1027

Options granted carry no dividend or voting rights and the value of the grant was determined in accordance with applicable Australian Accounting Standards. 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. The fair value of the options granted as remuneration has been determined in accordance with Australian Accounting Standards and recognised over the vesting period to the extent that conditions necessary for vesting are met. All outstanding options at the date of this report vested immediately on grant, without

performance or service conditions. Values of options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

	VALUE OF OPTIONS GRANTED DURING THE YEAR <sup>1</sup> \$	VALUE OF OPTIONS EXERCISED DURING THE YEAR \$	VALUE OF OPTIONS LAPSED DURING THE YEAR \$
MICHAEL JOHNSON	307,950	-	-
RON DEWHURST	307,950	-	-
BRENT SCRIMSHAW	153,975	-	-
ERIC KNIGHT	153,975	-	-
	<b>923,850</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Option values at grant date are determined using the Black-Scholes model.

**E.  
RELATIONSHIP BETWEEN THE  
REMUNERATION POLICY AND GROUP  
PERFORMANCE**

As detailed under heading (a), 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. As such, remuneration is not linked to the

financial performance of the Group in the current or previous reporting periods. The tables below set out summary information about the Group's earnings and movement in shareholder wealth for the five years to 30 June 2019:

	30 June 2019	30 JUNE 2018	30 JUNE 2017	30 JUNE 2016	30 JUNE 2015
	\$	\$	\$	\$	\$
REVENUE	3,285,982	2,169,176	1,717,225	1,012,433	432,460
NET LOSS BEFORE TAX	(5,928,690)	(4,079,747)	(4,721,522)	(6,435,986)	(5,887,329)
NET LOSS AFTER TAX	(5,940,742)	(4,004,324)	(4,441,578)	(5,998,529)	(5,316,992)

No dividends have been paid for the five years to 30 June 2019.

	30 June 2019	30 JUNE 2018	30 JUNE 2017	30 JUNE 2016	30 JUNE 2015
	\$	\$	\$	\$	\$
SHARE PRICE AT START OF THE YEAR	0.175	0.185	0.190	0.300*	0.230*
SHARE PRICE AT END OF YEAR	0.225	0.175	0.185	0.190*	0.300*
BASIC AND DILUTED GAIN/(LOSS) PER SHARE (CENTS)	(4.46)	(3.74)	(6.61)	(9.43)*	(11.20)*

\*On 3 May 2017, the share capital of the Company was consolidated through the conversion of every ten shares into one share. Basic and diluted loss per share and share price for the prior financial years have been restated for presentation purposes.

**F.  
KEY MANAGEMENT PERSONNEL  
DISCLOSURES**

**SHAREHOLDING**

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR <sup>1</sup>	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR <sup>2</sup>
2019	\$	\$	\$	\$	\$
<b>ORDINARY SHARES</b>					
MICHAEL JOHNSON	314,548	-	71,386	-	385,934
RON DEWHURST	7,784,680	-	415,320	-	8,200,000
BRENT SCRIMSHAW	108,918	-	-	-	108,918
ERIC KNIGHT	76,158	-	-	-	76,158
SEAN SLATTERY	-	-	-	-	-
SHANE DUNCAN	30,000	-	-	-	30,000
	<b>8,314,304</b>	<b>-</b>	<b>486,706</b>	<b>-</b>	<b>8,801,010</b>

**OPTION HOLDING**

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR <sup>1</sup>	GRANTED AND VESTED	ACQUIRED ON MARKET	EXERCISED	EXPIRED/ FORFEITED	BALANCE AT THE END OF THE YEAR <sup>2</sup>
2019	\$	\$	\$	\$	\$	\$
<b>OPTIONS OVER ORDINARY SHARES</b>						
MICHAEL JOHNSON	4,000,000	3,000,000	-	-	-	7,000,000
RON DEWHURST	1,000,000	3,000,000	-	-	(1,000,000)	3,000,000
BRENT SCRIMSHAW	1,000,000	1,500,000	-	-	-	2,500,000
ERIC KNIGHT	1,000,000	1,500,000	-	-	-	2,500,000
SEAN SLATTERY	-	-	-	-	-	-
SHANE DUNCAN	500,000	-	-	-	(500,000)	-
	<b>7,500,000</b>	<b>9,000,000</b>	<b>-</b>	<b>-</b>	<b>(1,500,000)</b>	<b>15,000,000</b>

<sup>1</sup>Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the period, the balance is as at the date they became KMP. <sup>2</sup>For former KMP, the balance is as at the date they cease being KMP.

For personal use only

**RELATED PARTY TRANSACTIONS**

	NOTE	CONSOLIDATED	
		30-JUN-19	30-JUN-18
PAYMENT FOR GOODS AND SERVICES			
SMART STREET SOLUTIONS	(i)	120,615	88,660

(i) Consulting fees paid to Smart Street Solutions, a business associated with Mr Michael Johnston.

**RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES**

Outstanding balances payable at the end of the current year to Smart Street Solutions comprises \$10,048 (2018: \$20,668). Smart Street Solutions provides consulting and marketing related services to the Group.

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

*(This concludes the remuneration report, which has been audited)*

For personal use only

For personal use only





**SHARES UNDER OPTION****UNISSUED ORDINARY SHARES**

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	OPTIONS EXPIRED IN PERIOD	NUMBER UNDER OPTION
23/12/2015	30/04/2019	\$0.650	76,923	-
11/04/2016	11/04/2019	\$0.650	1,800,000	-
20/05/2016	30/04/2019	\$0.674	1,000,000	-
24/01/2017	30/12/2020	\$0.400	-	150,000
28/04/2017	30/04/2020	\$0.270	-	6,000,000
14/12/2018	21/12/2021	\$0.287	-	9,000,000
<b>TOTAL</b>			<b>2,876,923</b>	<b>15,150,000</b>

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

**SHARES ISSUED ON THE EXERCISE OF OPTIONS**

No ordinary shares of Rhinomed Limited were issued during the year ended 30 June 2019 on the exercise of options granted.

RHINOMED  
2019

62

## **INDEMNITY AND INSURANCE OF OFFICERS**

### **INSURANCE OF OFFICERS**

During the financial year, Rhinomed Limited paid a premium to insure the Directors and secretaries of the Company.

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.

### **INDEMNITY OF AUDITORS**

Rhinomed Limited has not, during or since 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 person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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.

For personal use only

### NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (HLB Mann Judd) for audit and non-audit services provided during the year are set out below.

The Directors have considered the position and, in accordance with advice received from 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 Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### TAXATION SERVICES

Hlb Mann Judd Australian firm:

	2019 \$	2018 \$
Tax compliance services	12,500	12,500
<b>TOTAL REMUNERATION FOR TAXATION SERVICES</b>	<b>12,500</b>	12,500
<b>TOTAL REMUNERATION FOR NON-AUDIT SERVICES</b>	<b>12,500</b>	12,500

For personal use only

RHINOMED  
2019

64

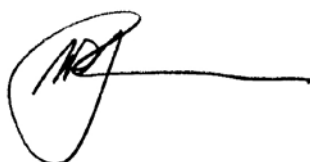
### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 65.

### **ROUNDING OF AMOUNTS**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest dollar.

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

A handwritten signature in black ink, appearing to be 'MJ', with a long horizontal line extending to the right.

**Michael Johnson**  
Executive Director

Melbourne  
30 September 2019

For personal use only



**AUDITOR'S INDEPENDENCE  
DECLARATION**

As lead auditor for the audit of the consolidated financial report of Rhinomed Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Rhinomed Limited and the entities it controlled during the year.

**HLB Mann Judd**  
Chartered Accountants

Melbourne  
30 September 2019

**Nick Walker**  
Partner

[hlb.com.au](http://hlb.com.au)

**HLB Mann Judd (VIC Partnership) ABN 20 696 861 713**  
Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001  
T: +61 (0) 3 9606 3888 F: +61 (0) 3 9606 3800 E: [mailbox@hlbvic.com.au](mailto:mailbox@hlbvic.com.au)  
Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (VIC Partnership) is a member of HLB International, the global advisory and accounting network.

For personal use only

## **CORPORATE GOVERNANCE STATEMENT**

Rhinomed Limited and the Board of Directors are committed to achieving the highest standards of corporate governance. The Directors continues to review the framework and practices to ensure they meet the interests of shareholders.

A description of the Group's main corporate governance practices is set out at [www.rhinomed.global](http://www.rhinomed.global). All these practices, unless otherwise stated, were in place for the entire year and comply with the ASX Corporate Governance Principles and Recommendations (3rd edition).

For personal use only

For personal use only



**RHINOMED LIMITED**  
**ABN 12 107 903 159**

**AUDITED FINANCIAL STATEMENTS**  
**30 JUNE 2019**

These financial statements are consolidated financial statements for the Group consisting of Rhinomed Limited and its subsidiaries. A list of major subsidiaries is included in note 10.

The financial statements are presented in the Australian currency. Rhinomed Limited is a Company limited by shares, incorporated and domiciled in Australia.

Its registered office is:  
L1, 132 Gwynne Street  
Richmond VIC 3121

Its principal place of business is:  
Rhinomed Limited  
L1, 132 Gwynne Street  
Richmond VIC 3121

The financial statements were authorised for issue by the Directors on 30 September 2019. The Directors have the power to amend and reissue the financial statements.

For personal use only



# FULL YEAR FINANCIAL ACCOUNTS

## FINANCIAL STATEMENTS

- 70 CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME
- 71 CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION
- 72 CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY
- 73 CONSOLIDATED STATEMENT  
OF CASH FLOWS (DIRECT METHOD)
- 74 NOTES TO THE FINANCIAL  
STATEMENTS
- 128 DIRECTORS' DECLARATION

---

FOR THE YEAR  
ENDED

---

30 JUNE 2019

---

For personal use only

RHINOMED  
2019

70

**CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

FOR THE YEAR  
ENDED 30 JUNE  
2019

<b>CONSOLIDATED</b>			
	NOTES	2019 \$	2018 \$
<b>REVENUE</b>			
Revenue from contracts with customers	2	3,285,982	2,169,176
Other income	3(a)	84,741	90,188
<b>EXPENSES</b>			
Raw materials and consumables used		(1,092,670)	(607,447)
Administrative expenses		(1,600,424)	(1,458,003)
Depreciation and amortisation expenses	3(b)	(395,518)	(372,103)
Employee benefits expenses		(2,930,965)	(1,503,486)
Marketing expenses		(2,219,856)	(1,750,937)
Research and development expenses		(373,484)	(142,296)
Other expenses		(686,496)	(504,839)
<b>OPERATING LOSS</b>		<b>(5,928,690)</b>	<b>(4,079,747)</b>
<b>LOSS BEFORE INCOME TAX</b>		<b>(5,928,690)</b>	<b>(4,079,747)</b>
Income tax (expense)/benefit	4	(12,052)	75,423
<b>LOSS FOR THE PERIOD</b>		<b>(5,940,742)</b>	<b>(4,004,324)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations	7(b)	(6,451)	7,731
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(5,947,193)</b>	<b>(3,996,593)</b>
		CENTS	CENTS
<b>LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:</b>			
Basic and diluted loss per share	17	(4.46)	(3.74)

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 2019

<b>CONSOLIDATED</b>			
	NOTES	2019 \$	2018 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5(a)	1,421,315	1,263,122
Trade and other receivables	5(b)	581,674	838,144
Inventories	6(c)	336,972	359,070
Other current assets		266,742	54,202
<b>TOTAL CURRENT ASSETS</b>		<b>2,606,703</b>	<b>2,514,538</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets at amortised cost		87,170	52,170
Property, plant and equipment	6(a)	222,159	25,253
Intangible assets	6(b)	2,954,995	3,316,623
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,264,324</b>	<b>3,394,046</b>
<b>TOTAL ASSETS</b>		<b>5,871,027</b>	<b>5,908,584</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5(c)	594,777	696,075
Contract liabilities	2(a)	556,297	-
Employee benefit obligations	6(d)	48,218	53,364
Deferred revenue		-	371,354
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,199,292</b>	<b>1,120,793</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit obligations	6(d)	50,970	20,879
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>50,970</b>	<b>20,879</b>
<b>TOTAL LIABILITIES</b>		<b>1,250,262</b>	<b>1,141,672</b>
<b>NET ASSETS</b>		<b>4,620,765</b>	<b>4,766,912</b>
<b>EQUITY</b>			
Issued capital	7(a)	59,243,447	54,366,251
Reserves	7(b)	1,543,725	802,835
Accumulated losses	7(c)	(56,166,407)	(50,402,174)
<b>TOTAL EQUITY</b>		<b>4,620,765</b>	<b>4,766,912</b>

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

RHINOMED  
2019

72

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**

FOR THE YEAR  
ENDED 30 JUNE  
2019

	NOTES	ISSUED CAPITAL \$	OPTION RESERVE \$	NCI RESERVE \$	FOREIGN EXCHANGE RESERVE \$	ACCUMULATED LOSSES \$	TOTAL EQUITY \$
<b>BALANCE AT 01 JULY 2017</b>		<b>50,934,839</b>	<b>824,089</b>	<b>(6,158,687)</b>	<b>(28,985)</b>	<b>(40,239,163)</b>	<b>5,332,093</b>
Loss for the period		-	-	-	-	(4,004,324)	(4,004,324)
Other comprehensive income/(loss) for the period	7(b)	-	-	-	7,731	-	7,731
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>7,731</b>	<b>(4,004,324)</b>	<b>(3,996,539)</b>
<b>TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS:</b>							
Contributions of equity, net of transaction costs	7(a)	3,431,412	-	-	-	-	3,431,412
Transfer to accumulated losses	7(c)	-	-	6,158,687	-	(6,158,687)	-
		3,431,412	-	6,158,687	-	(6,158,687)	3,431,412
<b>BALANCE AT 30 JUNE 2018</b>		<b>54,366,251</b>	<b>824,089</b>	<b>-</b>	<b>(21,254)</b>	<b>(50,402,174)</b>	<b>4,766,912</b>
<b>BALANCE AT 01 JULY 2018</b>		<b>54,366,251</b>	<b>824,089</b>	<b>-</b>	<b>(21,254)</b>	<b>(50,402,174)</b>	<b>4,766,912</b>
Loss for the period		-	-	-	-	(5,940,742)	(5,940,742)
Other comprehensive income/(loss) for the period	7(b)	-	-	-	(6,451)	-	(6,451)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,451)</b>	<b>(5,940,742)</b>	<b>(5,947,193)</b>
<b>TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS:</b>							
Contributions of equity, net of transaction costs	7(a)	4,877,196	-	-	-	-	4,877,196
Options issued/expensed	7(b)	-	923,850	-	-	-	923,850
Options lapsed	7(b)	-	(176,509)	-	-	176,509	-
		4,877,196	747,341	-	-	176,509	5,801,046
<b>BALANCE AT 30 JUNE 2019</b>		<b>59,243,447</b>	<b>1,571,430</b>	<b>-</b>	<b>(27,705)</b>	<b>(56,166,407)</b>	<b>4,620,765</b>

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

**CONSOLIDATED STATEMENT  
OF CASHFLOWS**

FOR THE YEAR  
ENDED 30 JUNE  
2019

<b>CONSOLIDATED</b>			
	NOTES	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		3,119,966	1,768,552
Payments to suppliers and employees (inclusive of GST)		(7,667,545)	(5,758,478)
Research and development tax incentive received		-	75,423
Other government grants received		67,067	72,159
Interest received		17,674	15,000
Interest paid		(18,637)	(18,000)
Income taxes paid		(12,052)	-
<b>NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>8(a)</b>	<b>(4,493,527)</b>	<b>(3,845,344)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for financial assets at amortised cost (term deposits)		(35,000)	-
Payments for property, plant and equipment	6(a)	(230,796)	(11,802)
<b>NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>(265,796)</b>	<b>(11,802)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of shares	7(a)	5,094,998	3,605,125
Share issue transaction costs	7(a)	(217,802)	(173,713)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>4,877,196</b>	<b>3,431,412</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>117,873</b>	<b>(425,734)</b>
Cash and cash equivalents at the beginning of the period		1,263,122	1,666,883
Effects of exchange rate changes on cash and cash equivalents		40,320	21,973
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5(a)</b>	<b>1,421,315</b>	<b>1,263,122</b>

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

RHINOMED

HOME ABOUT INVESTOR INFORMATION

## INVESTOR INFORMATION

### COMPANY VISION

Rhinomed seeks to radically improve the way people breathe, sleep, maintain their health and take medication. By developing and delivering novel technology that solves clear unmet needs, Rhinomed will help people to live better, more active and healthy lives.

We believe in the power of innovation to create solutions that enrich the lives of our customers and create significant value for our shareholders.

COMPANY VISION

INVESTOR INFORMATION

For personal use only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For personal use only

# NOTE 1.

## SEGMENT INFORMATION

The Group has identified one reportable operating segment; that is, the identification, acquisition and commercialisation of late stage therapeutic delivery technologies. The segment details are therefore fully reflected in the body of the financial report.

# NOTE 2.

## REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	<b>CONSOLIDATED</b>	
	2019 \$	2018 \$
Sale of goods	3,285,982	2,169,176

### A) LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

	<b>CONSOLIDATED</b>	
	2019 \$	2018 \$
Contract liabilities - deferred revenue	556,297	-

With the Group's adoption of AASB 15 Revenue from Contracts with Customers, deferred revenue is recognised as part of contract liabilities from 1 July 2018. Deferred revenue for the year ended 30 June 2018 is stated on the face of the consolidated statement of financial position.



# NOTE 2.

## REVENUE FROM CONTRACT WITH CUSTOMERS (CONTINUED)

---

### **(B) ACCOUNTING POLICIES**

#### (I) 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.

Transfer of control occurs at the time of delivery to the ultimate customer, which is the end consumer as opposed to intermediary retail locations.

#### (II) 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.

#### (III) PREVIOUS ACCOUNTING POLICY FOR REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group recognises revenue at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

#### (IV) IMPACT OF CHANGE IN ACCOUNTING POLICY

There was no change in the revenue recognition treatment applied by the Group under the new and previously applied accounting standards.

The impact of adopting the new accounting standard on revenue recognition, AASB 15 Revenue from Contracts with Customers, is further discussed in note 20(c).

For personal use only

# NOTE 3.

## OTHER INCOME AND EXPENSE ITEMS

### (A) OTHER INCOME

	CONSOLIDATED	
	2019 \$	2018 \$
Interest received	17,674	13,063
Government grants	67,067	72,159
Other items	-	4,966
	<b>84,741</b>	<b>90,188</b>

### (B) EXPENSE ITEMS

Loss before income tax includes the following specific expenses:

	NOTE	CONSOLIDATED	
		2019 \$	2018 \$
<b>DEPRECIATION AND AMORTISATION</b>			
Depreciation of property, plant and equipment	6(a)	33,890	10,475
Amortisation of intangible assets	6(b)	361,628	361,628
		<b>395,518</b>	<b>372,103</b>
<b>OPERATING LEASES</b>			
Operating lease expenses		119,023	120,103
<b>SUPERANNUATION</b>			
Defined contribution superannuation expenses		80,033	62,312

## NOTE 4.

## INCOME TAX EXPENSE

(A) INCOME TAX EXPENSE	CONSOLIDATED	
	2019 \$	2018 \$
<i>Current tax</i>		
Current tax on profits for the year	-	(75,423)
Adjustments for current tax of prior periods	12,052	-
<b>TOTAL CURRENT TAX EXPENSE</b>	<b>12,052</b>	<b>(75,423)</b>
<b>INCOME TAX EXPENSE</b>	<b>12,052</b>	<b>(75,423)</b>

(B) NUMERICAL RECONCILIATION OF INCOME  
TAX (EXPENSE)/BENEFIT TO PRIMA FACIE  
TAX PAYABLE

	CONSOLIDATED	
	2019 \$	2018 \$
Loss before income tax expense	(5,928,690)	(4,079,747)
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	(1,630,390)	(1,121,930)
<b>TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTIBLE (TAXABLE) IN CALCULATING INCOME TAX:</b>		
Impairment and amortisation	99,448	99,448
Share-based payments	254,059	-
Other expenses not deductible	13,609	(1,767)
Other items	(59,899)	(47,771)
Deferred tax assets relating to tax losses not recognised	1,323,173	1,147,443
Adjustments for current tax of prior periods	(12,052)	-
<b>INCOME TAX (EXPENSE)/BENEFIT</b>	<b>(12,052)</b>	<b>75,423</b>

For personal use only

# NOTE 5.

## FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### (A) CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2019 \$	2018 \$
Cash at bank	1,421,315	1,263,122
	<b>1,421,315</b>	<b>1,263,122</b>

### (I) RECONCILIATION TO CASH FLOW STATEMENT

The above figures reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the financial year as follows:

	CONSOLIDATED	
	2019 \$	2018 \$
Balances as above	1,421,315	1,263,122
Balances per statement of cash flows	1,421,315	1,263,122

### (II) CLASSIFICATION AS CASH EQUIVALENTS

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 19(j) for the Group's other accounting policies on cash and cash equivalents.

**(B) TRADE AND OTHER RECEIVABLES**

	NOTES	CONSOLIDATED					
		CURRENT \$	NON-CURRENT \$	TOTAL \$	CURRENT \$	NON-CURRENT \$	TOTAL \$
Trade receivables		594,089	-	594,089	837,552	-	837,552
Loss allowance	9(c)(iii)	(58,138)	-	(58,138)	-	-	-
		<b>535,951</b>	<b>-</b>	<b>535,951</b>	<b>837,552</b>	<b>-</b>	<b>837,552</b>
Net consumption tax receivables		45,723	-	45,723	592	-	592
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>		<b>581,674</b>	<b>-</b>	<b>581,674</b>	<b>838,144</b>	<b>-</b>	<b>838,144</b>

**(I) 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 9(c)(iii).

**(II) 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 9.

**(C) TRADE AND OTHER PAYABLES**

	NOTES	CONSOLIDATED					
		2019			2018		
		CURRENT \$	NON-CURRENT \$	TOTAL \$	CURRENT \$	NON-CURRENT \$	TOTAL \$
Trade payables		365,310	-	365,310	560,870	-	560,870
Accrued expenses		21,238	-	21,238	2,368	-	2,368
Other payables		208,229	-	208,229	132,837	-	132,837
		<b>594,777</b>	<b>-</b>	<b>594,777</b>	<b>696,075</b>	<b>-</b>	<b>696,075</b>

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

# NOTE 6.

## NON-FINANCIAL ASSETS AND LIABILITIES

### (A) PROPERTY, PLANT AND EQUIPMENT

NON-CURRENT	PLANT AND EQUIPMENT \$	FURNITURE, FITTINGS AND EQUIPMENT \$	TOTAL \$
<b>AT 1 JULY 2017</b>			
Cost	313,656	68,112	381,768
Accumulated depreciation	(312,094)	(45,748)	(357,842)
<b>NET BOOK AMOUNT</b>	<b>1,562</b>	<b>22,364</b>	<b>23,926</b>
<b>YEAR ENDED 30 JUNE 2018</b>			
Opening net book amount	1,562	22,364	23,926
Additions	11,777	25	11,802
Depreciation charge	(2,659)	(7,816)	(10,475)
<b>CLOSING NET BOOK AMOUNT</b>	<b>10,680</b>	<b>14,573</b>	<b>25,253</b>
<b>AT 30 JUNE 2018</b>			
Cost	325,433	68,137	393,570
Accumulated depreciation	(314,753)	(53,564)	(368,317)
<b>NET BOOK AMOUNT</b>	<b>10,680</b>	<b>14,573</b>	<b>25,253</b>
<b>YEAR ENDED 30 JUNE 2019</b>			
Opening net book amount	10,680	14,573	25,253
Additions	228,402	2,394	230,796
Depreciation charge	(29,784)	(4,106)	(33,890)
<b>CLOSING NET BOOK AMOUNT</b>	<b>209,298</b>	<b>12,861</b>	<b>222,159</b>
<b>AT 30 JUNE 2019</b>			
Cost or fair value	553,835	70,531	624,366
Accumulated depreciation and impairment	(344,537)	(57,670)	(402,207)
<b>NET BOOK AMOUNT</b>	<b>209,298</b>	<b>12,861</b>	<b>222,159</b>

### (I) DEPRECIATION METHODS AND USEFUL LIVES

Property, plant and equipment is recognised at historical cost less depreciation. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Plant and equipment 4–6 years
- Furniture, fittings and equipment 3–5 years

See note 19(n) for the other accounting policies relevant to property, plant and equipment.

**(B) INTANGIBLE ASSETS**

NON-CURRENT	GOODWILL \$	DEVELOPMENT COSTS \$	INTELLECTUAL PROPERTY \$	TOTAL \$
<b>AT 1 JULY 2017</b>				
Cost	4,951,996	602,503	9,516,217	15,070,716
Accumulated amortisation and impairment	(3,386,992)	(348,512)	(7,656,961)	(11,392,465)
<b>NET BOOK AMOUNT</b>	<b>1,565,004</b>	<b>253,991</b>	<b>1,859,256</b>	<b>3,678,251</b>
<b>YEAR ENDED 30 JUNE 2018</b>				
Opening net book amount	1,565,004	253,991	1,859,256	3,678,251
Amortisation charge	-	(30,688)	(330,940)	(361,628)
<b>CLOSING NET BOOK AMOUNT</b>	<b>1,565,004</b>	<b>223,303</b>	<b>1,528,316</b>	<b>3,316,623</b>
<b>AT 30 JUNE 2018</b>				
Cost	4,951,996	602,503	9,516,217	15,070,716
Accumulated amortisation and impairment	(3,386,992)	(379,200)	(7,987,901)	(11,754,093)
<b>NET BOOK AMOUNT</b>	<b>1,565,004</b>	<b>223,303</b>	<b>1,528,316</b>	<b>3,316,623</b>
<b>YEAR ENDED 30 JUNE 2019</b>				
Opening net book amount	1,565,004	223,303	1,528,316	3,316,623
Amortisation charge	-	(30,688)	(330,940)	(361,628)
<b>CLOSING NET BOOK AMOUNT</b>	<b>1,565,004</b>	<b>192,615</b>	<b>1,197,376</b>	<b>2,954,995</b>
<b>AT 30 JUNE 2019</b>				
Cost	4,951,996	602,503	9,516,217	15,070,716
Accumulated amortisation and impairment	(3,386,992)	(409,888)	(8,318,841)	(12,115,721)
<b>NET BOOK AMOUNT</b>	<b>1,565,004</b>	<b>192,615</b>	<b>1,197,376</b>	<b>2,954,995</b>

**(I) IMPAIRMENT OF INTANGIBLES**

The Directors conducted an impairment assessment of the Group's intangible assets as at 30 June 2019 and concluded that an impairment charge was not necessary. The Directors assessed that intellectual property and development costs have a 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

# NOTE 6.

## NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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. The cash flows were discounted using a pre-tax discount rate of 20 percent (2018: 20 percent) at the beginning of the projection period. The projections reflected the Board's best estimate of the product's expected market share, its expanding distribution network and the Group's revenue stream. Gross profit was determined factoring in expected cost structures as well as estimated inflation rates over the period.

A possible reasonable change in the discount rate or store numbers would not result in an impairment of the intangible assets. In performing the impairment review, the Directors have determined that the

cash generating unit (CGU) is to be assessed on a Group level, consistent with the Group's single segment as disclosed in note 1.

### (II) AMORTISATION METHODS AND USEFUL LIVES

As the Group has commenced commercialisation of the BreatheAssist technology, an amortisation charge is recognised for development costs and intellectual property over the asset's useful life. An amortisation charge is recognised for \$361,628 (2018: \$361,628) and was recorded for the period.

The intangible assets have been assessed as having a finite life and are amortised using the straight-line method over a period of 9.5 years for 2019 and 2018.

### (C) INVENTORIES

### CONSOLIDATED

	2019 \$	2018 \$
Raw materials at cost	13,046	16,228
Finished goods at cost	211,541	259,230
Inventory on consignment at cost	112,385	83,612
	<b>336,972</b>	<b>359,070</b>

For personal use only



**(D) EMPLOYEE BENEFIT  
OBLIGATIONS****CONSOLIDATED**

	2019 \$			2018 \$		
	CURRENT \$	NON-CURRENT \$	TOTAL \$	CURRENT \$	NON-CURRENT \$	TOTAL \$
Leave obligations (i)	48,218	50,970	99,188	53,364	20,879	74,243

**(I) LEAVE OBLIGATIONS**

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 19(q).

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the

amounts accrued for long service leave entitlements 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 annual leave or long service 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.

The non-current portion for this provision includes amounts accrued for long service leave 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. The measurement and recognition criteria relating to employee benefits have been discussed in note 19(q).

# NOTE 7.

## EQUITY

### (A) ISSUED CAPITAL

#### (I) MOVEMENTS IN ORDINARY SHARES

DETAILS	NUMBER OF SHARES	\$
<b>BALANCE AT 1 JULY 2017</b>	<b>93,637,159</b>	<b>50,934,839</b>
05/12/2017 Private placement at \$0.15	5,271,281	790,692
08/12/2017 Private placement at \$0.15	18,129,613	2,719,433
21/03/2018 Private placement at \$0.15	633,334	95,000
Less: transaction costs arising on share issues	-	(173,713)
<b>BALANCE AT 30 JUNE 2018</b>	<b>117,671,387</b>	<b>54,366,251</b>
09/11/2018 Private placement at \$0.21	23,563,376	4,948,309
21/12/2018 Share purchase plan at \$0.21	698,518	146,689
Less: transaction costs arising on share issues	-	(217,802)
<b>BALANCE AT 30 JUNE 2019</b>	<b>141,933,281</b>	<b>59,243,447</b>

#### (II) ORDINARY SHARES

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

### (B) RESERVES

	OPTION RESERVE \$	NCI RESERVE \$	FOREIGN EXCHANGE RESERVE \$	TOTAL \$
<b>BALANCE AT 1 JULY 2017</b>	<b>824,089</b>	<b>(6,158,687)</b>	<b>(28,985)</b>	<b>(5,363,583)</b>
Currency translation differences	-	-	7,731	7,731
Transfer to accumulated losses from NCI reserve	-	6,158,687	-	6,158,687
<b>BALANCE AT 30 JUNE 2018</b>	<b>824,089</b>	<b>-</b>	<b>(21,254)</b>	<b>802,835</b>
<b>BALANCE AT 1 JULY 2018</b>	<b>824,089</b>	<b>-</b>	<b>(21,254)</b>	<b>802,835</b>
Options issued/expensed	923,850	-	-	923,850
Options lapsed	(176,509)	-	-	(176,509)
Currency translation differences	-	-	(6,451)	(6,451)
<b>BALANCE AT 30 JUNE 2019</b>	<b>1,571,430</b>	<b>-</b>	<b>(27,705)</b>	<b>1,543,725</b>

The option reserve is used to record the expense associated with the valuation of options. The NCI reserve is used to record adjustments arising from transactions with non-controlling

interests. The foreign exchange reserve is used to record exchange differences arising on translation of a foreign controlled subsidiary.

## (II) MOVEMENTS IN OPTIONS

	NO.	\$
<b>BALANCE AT 1 JULY 2017</b>	<b>9,026,923</b>	<b>824,089</b>
Options issued in period	-	-
Options lapsed in period	-	-
<b>BALANCE AT 30 JUNE 2018</b>	<b>9,026,923</b>	<b>824,089</b>
<b>BALANCE AT 1 JULY 2018</b>	<b>9,026,923</b>	<b>824,089</b>
Options issued in period	9,000,000	923,850
Options lapsed in period	(2,876,923)	(176,509)
<b>BALANCE AT 30 JUNE 2019</b>	<b>15,150,000</b>	<b>1,571,430</b>

## (C) ACCUMULATED LOSSES

## CONSOLIDATED

	2019 \$	2018 \$
Accumulated losses at the beginning of the financial year	50,402,174	40,239,163
Loss after income tax expense for the year	5,940,742	4,004,324
Transfer from option reserve	(176,509)	-
Transfer to accumulated losses from NCI reserve	-	6,158,687
	<b>56,166,407</b>	<b>50,402,174</b>

RHINOMED  
2019

88

# NOTE 8.

## CASH FLOW INFORMATION

### (A) RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2019 \$	2018 \$
<b>LOSS FOR THE PERIOD</b>	<b>(5,940,742)</b>	<b>(4,004,324)</b>
Adjustment for:		
Depreciation and amortisation	395,518	372,103
Share-based payments	923,850	-
Unrealised net foreign currency (gains)/losses	(46,771)	(14,244)
<b>CHANGE IN OPERATING ASSETS AND LIABILITIES:</b>		
(Increase)/decrease in trade and other receivables	441,413	(205,540)
(Increase)/decrease in inventories	22,098	70,048
(Increase)/decrease in other current assets	(212,540)	23,135
Increase/(decrease) in trade and other payables	(101,298)	(30,513)
Increase/(decrease) in provisions	24,945	(56,009)
<b>NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>(4,493,527)</b>	<b>(3,845,344)</b>

For personal use only

# NOTE 9.

## FINANCIAL RISK MANAGEMENT

### (A) FINANCIAL INSTRUMENTS

The Group's financial instruments are detailed below:

	NOTES	CONSOLIDATED	
		2019 \$	2018 \$
Cash and cash equivalents	5(a)	1,421,315	1,263,122
Net trade receivables at amortised cost	5(b)	535,951	837,552
Other financial assets at amortised cost		87,170	52,170
Trade and other payables at amortised cost	5(c)	(594,777)	(696,075)
		<b>1,449,659</b>	<b>1,456,769</b>

### (B) RISK MANAGEMENT POLICY

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.

### (C) ELEMENTS OF RISK

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

#### (I) 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 a financial instruments value will fluctuate as a result of changes in market interest rates.

For personal use only

# NOTE 9.

## FINANCIAL RISK MANAGEMENT (CONTINUED)

INSTRUMENTS WITH CASH FLOW RISK		CONSOLIDATED	
	NOTE	2019 \$	2018 \$
Cash and cash equivalents	5(a)	1,421,315	1,263,122
Other financial assets at amortised cost		87,170	52,170
		<b>1,508,485</b>	<b>1,315,292</b>

An increase or decrease of 0.17% (2018: 0.20%) in interest rates at the reporting date would have the following increase/(decrease) effect on cash and cash equivalents and other financial assets. The analysis assumes that all other variables remain constant.

The use of 0.17% for the year ended 30 June 2019 was determined based on analysis of the Reserve Bank of Australia rates change, on an absolute value basis, between June 2017, June 2018 and June 2019. The use of 0.20% for the year ended 30 June 2018 was determined based on analysis of the Reserve Bank of Australia rates change, on an absolute value basis, between June 2016, June 2017 and June 2018.

INSTRUMENTS WITH CASH FLOW RISK		CONSOLIDATED	
		2019 +0.17%/-0.17% \$	2018 +0.2%/-0.2% \$
Cash and cash equivalents		2,416/(2,416)	2,526/(2,526)
Other financial assets at amortised cost		148/(148)	104/(104)
		<b>2,564/(2,564)</b>	<b>2,630/(2,630)</b>

For personal use only

**(II) FOREIGN EXCHANGE RISK**

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

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

**THE CARRYING AMOUNTS OF THE GROUP'S FOREIGN CURRENCY DENOMINATED MONETARY ASSETS AND LIABILITIES AT THE REPORTING DATE ARE AS FOLLOWS (AMOUNTS PRESENTED IN AUSTRALIAN DOLLARS):**

2019	USD	GBP			TOTAL
Assets	777,542	274,202			1,051,744
Liabilities	(198,478)	(13,553)			(212,031)
	<b>579,064</b>	<b>260,649</b>	-	-	<b>839,713</b>
2018	USD	GBP	EUR	NZD	TOTAL
Assets	868,051	142,985	-	-	1,011,036
Liabilities	(256,929)	(12,886)	(3,114)	(384)	(273,313)
	<b>611,122</b>	<b>130,099</b>	<b>(3,114)</b>	<b>(384)</b>	<b>737,723</b>

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 analysis assumes that all other variables remain constant.

During the current financial period, the percentage movement was determined based on the analysis of

USD and GBP change (2018: USD, GBP, EUR and NZD), on a high and low value basis, between 30 June 2018 and 30 June 2019 (2018: between 30 June 2017 and 30 June 2018). The average change of these currencies within this period was approximately 8% and 8%, for USD and GBP, respectively (2018: 11%, 12%, 10% and 7%, for USD, GBP, EUR and NZD, respectively).

For personal use only

# NOTE 9.

## FINANCIAL RISK MANAGEMENT (CONTINUED)

	CONSOLIDATED	
	2019 +%/-% \$	2018 +%/-% \$
United State Dollar (USD)	46,325/(46,325)	67,223/(67,223)
Pound Sterling (GBP)	20,852/(20,852)	15,612/(15,612)
Euro (EUR)	-	(311)/311
New Zealand Dollar (NZD)	-	(38)/38
	<b>67,177/(67,177)</b>	<b>82,486/(82,486)</b>

### (III) 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:

- 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.

For personal use only



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 2019 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, the loss allowance as at 30 June 2019 from the expected credit loss method was determined to be \$58,138. This amount 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.

#### *PREVIOUS ACCOUNTING POLICY FOR IMPAIRMENT OF TRADE RECEIVABLES*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 121 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

For personal use only

# NOTE 9.

## FINANCIAL RISK MANAGEMENT (CONTINUED)

### (IV) 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; and
- investing surplus funds with reputable financial institutions.

### THE GROUP'S EXPOSURE TO INTEREST RATE RISK AND THE WEIGHTED AVERAGE INTEREST RATES ON THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES IS AS FOLLOWS

2019	NOTES	FLOATING INTEREST RATE \$	NON- INTERESTED BEARING \$	FIXED INTEREST BEARING \$	TOTAL \$
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents*	5(a)	1,421,315	-	-	1,421,315
Net trade receivables at amortised cost	5(b)	-	535,951	-	535,951
Other financial assets at amortised cost**		-	-	87,170	81,170
		<b>1,421,315</b>	<b>535,951</b>	<b>87,170</b>	<b>2,044,436</b>
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables at amortised cost	5(c)	-	(594,777)	-	(594,777)
<b>NET FINANCIAL ASSETS</b>		<b>1,421,315</b>	<b>(58,826)</b>	<b>87,170</b>	<b>1,449,659</b>
*Weighted average effective interest rate: 0.39%					
**Weighted average effective interest rate: 2.4%					
<b>2018</b>					
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents*	5(a)	1,263,122	-	-	1,263,122
Net trade receivables at amortised cost	5(b)	-	837,552	-	837,552
Other financial assets at amortised cost**		-	-	52,170	52,170
		<b>1,263,122</b>	<b>837,552</b>	<b>52,170</b>	<b>2,152,844</b>
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables at amortised cost	5(c)	-	(696,075)	-	(696,075)
<b>NET FINANCIAL ASSETS</b>		<b>1,263,122</b>	<b>141,477</b>	<b>52,170</b>	<b>1,456,769</b>
*Weighted average effective interest rate: 0.84%					
**Weighted average effective interest rate: 2.45%					

## (V) MATURITY PROFILE

2019	NOTES	CARRYING AMOUNT \$	CONTRACTUAL CASH FLOW \$	WITHIN 1 YEAR \$	1-5 YEARS \$
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	5(a)	1,421,315	1,421,315	1,421,315	-
Net trade receivables at amortised cost	5(b)	535,951	535,951	535,951	-
Other financial assets at amortised cost		87,170	87,170	-	87,170
<b>TOTAL FINANCIAL ASSETS</b>		<b>2,044,436</b>	<b>2,044,436</b>	<b>1,957,266</b>	<b>87,170</b>
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables at amortised cost	5(c)	594,777	594,777	594,777	-
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>594,777</b>	<b>594,777</b>	<b>594,777</b>	<b>-</b>
<b>2018</b>					
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	5(a)	1,263,122	1,263,122	1,263,122	-
Net trade receivables at amortised cost	5(b)	837,552	837,552	837,552	-
Other financial assets at amortised cost		52,170	52,170	-	52,170
<b>TOTAL FINANCIAL ASSETS</b>		<b>2,152,844</b>	<b>2,152,844</b>	<b>2,100,674</b>	<b>52,170</b>
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables at amortised cost	5(c)	696,075	696,075	696,075	-
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>696,075</b>	<b>696,075</b>	<b>696,075</b>	<b>-</b>

## (VI) NET FAIR VALUES

The Directors consider that the carrying amount of financial assets and liabilities recorded in the financial statements approximate their fair value.

**(D) CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital are to safeguard the Group's 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 disclosed in note 7. 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 10.

## INTERESTS IN OTHER ENTITIES

### (A) MATERIAL SUBSIDIARIES

The Group's principal subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals

the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

NAME OF ENTITY	PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	OWNERSHIP INTEREST HELD BY THE GROUP	
		2019 %	2018 %
ASAP Breatheassist Pty Ltd	Australia	100	100
Rhinomed UK Limited	United Kingdom	100	100
Breatheassist Limited	United Kingdom	100	100
Rhinomed Inc.	United States	100	100

# NOTE 11.

## CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group had no contingent liabilities at 30 June 2019 (2018: nil).

# NOTE 12.

## COMMITMENTS

### (A) NON-CANCELLABLE OPERATING LEASES

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	CONSOLIDATED	
	2019 \$	2018 \$
Within one year	77,064	95,950
Later than one year but not later than five years	-	74,438
	<b>77,064</b>	<b>170,388</b>

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement permit the minimum lease payments to increase by 4% per annum. The current lease expires on 31 March 2020. An option exists to renew the lease at the end of the three-year term for an additional term of three years; the Group does not intend to exercise this option.

The Group entered into a second non-cancellable property lease with a five-year term starting on 1 August 2019, entered into on 30 July 2019, with rent payable monthly in advance. Contingent rental provisions within the lease agreement permit the minimum lease payments to increase by 4% per annum. The current lease expires on 31 July 2024. An option exists to renew the lease at the end of the five-year term for an additional term of five years.

### (B) OTHER EXPENDITURE COMMITMENTS

Commitments contracted at balance date but not recognised as liabilities are as follows:

	CONSOLIDATED	
	2019 \$	2018 \$
Within one year	2,759	920
Later than one year but not later than five years	4,138	-
	<b>6,897</b>	<b>920</b>

RHINOMED  
2019

98

# NOTE 13.

## EVENTS OCCURRING AFTER THE REPORTING PERIOD

---

On 12 September 2019, Rhinomed Limited commenced listing on the OTCQB market in the United States under the trading code 'RHNMF'. This was followed by the 23 September 2019 announcement of a \$6 million capital raising (before costs) by way of a private placement of 27,272,735 shares at \$0.22 each. These shares were allotted on 26 September 2019.

No other matter or circumstance has arisen since 30 June 2019 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 14.

## RELATED PARTY TRANSACTIONS

---

### (A) SUBSIDIARIES

Interests in subsidiaries are set out in note 10.

### (B) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in the remuneration report in the Directors' report.

### (I) DETAILS OF KEY MANAGEMENT PERSONAL

#### 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*

#### AND THE FOLLOWING OTHER KEY MANAGEMENT PERSONNEL:

- **Mr Sean Slattery**  
*Chief Financial Officer (appointed 1 December 2018)*
- **Mr Shane Duncan**  
*Vice President Global Sales and Marketing (resigned 28 November 2018)*

For personal use only

# NOTE 14.

## RELATED PARTY TRANSACTIONS (CONTINUED)

### (I) COMPENSATION

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

	CONSOLIDATED	
	30-JUN-19 \$	30-JUN-18 \$
Short-term employee benefits	982,120	780,254
Post-employment benefits	54,258	37,747
Share-based payments	923,850	-
	<b>1,960,498</b>	<b>818,001</b>

### (II) OTHER RELATED PARTY TRANSACTIONS

	CONSOLIDATED	
	30-JUN-19 \$	30-JUN-18 \$
<b>PAYMENT FOR GOODS AND SERVICES</b>		
Smart Street Solutions*	120,615	88,660

\* Consulting fees paid to Smart Street Solutions, a business associated with Mr Michael Johnston.

Detailed remuneration disclosures are provided in the remuneration report on pages 49 to 59.

### (IV) RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Outstanding balances payable at the end of the current year to Smart Street Solutions comprises \$10,048 (2018: \$20,668).

Smart Street Solutions provides consulting and marketing related services to the Group. balances at the reporting date in relation to transactions with related parties.

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

For personal use only

RHINOMED  
2019

100

# NOTE 15.

## 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:

2019

GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	BALANCE AT 1 JULY \$	GRANTED \$	EXERCISED \$	LAPSED \$	BALANCE AT 30 JUNE \$
23/12/2015	30/04/2019	0.650	76,923	-	-	(76,923)	-
11/04/2016	11/04/2019	0.650	1,800,000	-	-	(1,800,000)	-
20/05/2016	30/04/2019	0.670	1,000,000	-	-	(1,000,000)	-
24/01/2017	30/12/2020	0.400	150,000	-	-	-	150,000
28/04/2017	30/04/2020	0.270	6,000,000	-	-	-	6,000,000
14/12/2018	21/12/2021	0.287	-	9,000,000	-	-	9,000,000
			<b>9,026,923</b>	<b>9,000,000</b>	-	<b>(2,876,923)</b>	<b>15,150,000</b>
<b>WEIGHTED AVERAGE EXERCISE PRICE:</b>			<b>0.396</b>	-	-	-	<b>0.281</b>

2018

GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	BALANCE AT 1 JULY \$	GRANTED \$	EXERCISED \$	LAPSED \$	BALANCE AT 30 JUNE \$
23/12/2015	30/04/2019	0.650	76,923	-	-	-	76,923
11/04/2016	11/04/2019	0.650	1,800,000	-	-	-	1,800,000
20/05/2016	30/04/2019	0.670	1,000,000	-	-	-	1,000,000
24/01/2017	30/12/2020	0.400	150,000	-	-	-	150,000
28/04/2017	30/04/2020	0.270	6,000,000	-	-	-	6,000,000
			<b>9,026,923</b>	-	-	-	<b>9,026,923</b>
<b>WEIGHTED AVERAGE EXERCISE PRICE:</b>			<b>0.396</b>	-	-	-	<b>0.396</b>



Set out below are the options issued under ESOP that are exercisable at the end of the financial year:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	SHARE OPTIONS 30 JUNE 2019	SHARE OPTIONS 30 JUNE 2018
23/12/2015	30/04/2019	0.650	-	76,923
11/04/2016	11/04/2019	0.650	-	1,800,000
20/05/2016	30/04/2019	0.670	-	1,000,000
24/01/2017	30/12/2020	0.400	150,000	150,000
28/04/2017	30/04/2020	0.270	6,000,000	6,000,000
14/12/2018	21/12/2021	0.287	9,000,000	-
<b>TOTAL EXERCISABLE</b>			<b>15,150,000</b>	<b>9,026,923</b>

The weighted average remaining contractual life of options outstanding at year end is 1.61 years (2018: 1.36 years).

#### (A) OPTIONS GRANTED IN CURRENT PERIOD

The following share-based payment arrangements were entered into during the year ended 30 June 2019 due to new options granted and vested:

RECIPIENT	GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE \$	NO. OF OPTIONS	FAIR VALUE
Mr Michael Johnson	14-Dec-2018	14-Dec-2018	21-Dec-2018	0.287	3,000,000	307,950
Mr Ron Dewhurst	14-Dec-2018	14-Dec-2018	21-Dec-2018	0.287	3,000,000	307,950
Mr Brent Scrimshaw	14-Dec-2018	14-Dec-2018	21-Dec-2018	0.287	1,500,000	153,975
Dr Eric Knight	14-Dec-2018	14-Dec-2018	21-Dec-2018	0.287	1,500,000	153,975

RHINOMED  
2019

102

# NOTE 15.

## SHARE-BASED PAYMENTS (CONTINUED)

### (I) FAIR VALUE OF OPTIONS GRANTED

For the options granted during the year ended 30 June 2019, the valuation model inputs used to determine the fair value at the grant date are outlined below:

RECIPIENT	SHARE PRICE AT GRANT DATE (\$)	EXERCISE PRICE (\$)	TERM IN YEARS	EXPECTED VOLATILITY	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE PER OPTION AT GRANT DATE (\$)
Mr Michael Johnson	0.205	0.287	3	89.00%	0.00%	1.975%	0.1027
Mr Ron Dewhurst	0.205	0.287	3	89.00%	0.00%	1.975%	0.1027
Mr Brent Scrimshaw	0.205	0.287	3	89.00%	0.00%	1.975%	0.1027
Dr Eric Knight	0.205	0.287	3	89.00%	0.00%	1.975%	0.1027

On 14 December 2018 Rhinomed Limited issued 9,000,000 options vesting immediately to Directors of the Group. The assessed fair value of options issued was determined using the Black-Scholes option pricing model that takes into account the exercise price, term of the option, security price at grant date and expected price volatility of the underlying security, the expected dividend yield, the risk-free interest rate for the term of the security and certain probability assumptions. Historical share price volatility has

been used to determine the expected share price volatility as it is assumed that this is indicative of future volatility.

### (B) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED	
	2019 \$	2018 \$
Options issued under ESOP	923,850	-

# NOTE 16.

## REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

<b>(A) HLB Mann Judd</b>	<b>CONSOLIDATED</b>	
(I) AUDIT AND OTHER ASSURANCE SERVICES	2019 \$	2018 \$
Audit and review of financial statements	64,000	56,700
<b>TOTAL REMUNERATION FOR AUDIT AND OTHER ASSURANCE SERVICES</b>	<b>64,000</b>	<b>56,700</b>
(II) TAXATION SERVICES		
Tax compliance services	12,500	12,500
<b>TOTAL REMUNERATION FOR TAXATION SERVICES</b>	<b>12,500</b>	<b>12,500</b>
<b>TOTAL REMUNERATION OF HLB MANN JUDD</b>	<b>76,500</b>	<b>69,200</b>

For personal use only

RHINOMED  
2019

104

# NOTE 17.

## LOSS PER SHARE

### (A) RECONCILIATION OF LOSS USED IN CALCULATING LOSS PER SHARE

	CONSOLIDATED	
	2019 \$	2018 \$
<b>BASIC AND DILUTED LOSS PER SHARE</b>		
Loss attributable to the ordinary equity holders of the Company used in calculating loss per share:		
From continuing operations	5,940,742	4,004,324

### (B) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	2019 NUMBER	2018 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	133,078,739	106,934,592

On the basis of the Group's losses, the outstanding options as at 30 June 2019 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

## NOTE 18.

## PARENT ENTITY FINANCIAL INFORMATION

**(A) SUMMARY FINANCIAL INFORMATION**

Set out below is the supplementary information about the parent entity.

	CONSOLIDATED	
	2019 \$	2018 \$
<b>BALANCE SHEET</b>		
Current assets	1,012,707	1,016,167
Non-current assets	19,446,730	17,480,113
<b>TOTAL ASSETS</b>	<b>20,459,437</b>	<b>18,496,280</b>
Current liabilities	302,611	252,868
Non-current liabilities	50,970	20,879
<b>TOTAL LIABILITIES</b>	<b>353,581</b>	<b>273,747</b>
<b>NET ASSETS</b>	<b>20,105,856</b>	<b>18,222,533</b>
<i>Shareholders' equity</i>		
Issued capital	59,243,448	54,366,251
Reserves	1,571,430	824,089
Accumulated losses	(40,709,022)	(36,967,807)
<b>TOTAL EQUITY</b>	<b>20,105,856</b>	<b>18,222,533</b>
<b>LOSS FOR THE YEAR</b>	<b>3,917,658</b>	<b>2,210,679</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>3,917,658</b>	<b>2,210,679</b>

For personal use only

# NOTE 18.

## PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

### **(B) GUARANTEES ENTERED INTO BY THE PARENT ENTITY**

The parent entity has not entered into any guarantees in relation to debts of its subsidiaries in the year ended 30 June 2019 (2018: nil).

### **(C) CONTINGENT LIABILITIES OF THE PARENT ENTITY**

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

### **(D) CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT OR EQUIPMENT**

The parent entity has not entered into any contractual commitments for the acquisition of property, plant or equipment in the year ended 30 June 2019 (2018: nil).

### **(E) DETERMINING THE PARENT ENTITY FINANCIAL INFORMATION**

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

### **(I) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE ENTITIES**

Investments in subsidiaries are accounted for at cost in the financial statements of Rhinomed Limited.

### **(II) TAX CONSOLIDATION LEGISLATION**

Rhinomed Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Rhinomed Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Rhinomed Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

For personal use only

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Rhinomed Limited for any current tax payable assumed and are compensated by Rhinomed Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Rhinomed Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

For personal use only

For personal use only





# NOTE 19.

## SUMMARY OF SIGNIFICANT ACCOUNTING

### CONTENTS OF THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A)	BASIS OF PREPARATION	110
(B)	PRINCIPLES OF CONSOLIDATION	112
(C)	SEGMENT REPORTING	112
(D)	FOREIGN CURRENCY TRANSLATION	112
(E)	REVENUE RECOGNITION	113
(F)	GOVERNMENT GRANTS	114
(G)	INCOME TAX	114
(H)	LEASES	115
(I)	IMPAIRMENT OF NON-FINANCIAL ASSETS	115
(J)	CASH AND CASH EQUIVALENTS	115
(K)	TRADE RECEIVABLES	115
(L)	INVENTORIES	115
(M)	INVESTMENTS AND OTHER FINANCIAL ASSETS	116
(N)	PROPERTY, PLANT AND EQUIPMENT	119
(O)	INTANGIBLE ASSETS	120
(P)	TRADE AND OTHER PAYABLES	121
(Q)	EMPLOYEE BENEFITS	122
(R)	ISSUED CAPITAL	123
(S)	LOSS PER SHARE	123
(T)	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	124
(U)	ROUNDING OF AMOUNTS	125
(V)	GOODS AND SERVICES TAX (GST)	125

# NOTE 19.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods 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 and the *Corporations Act 2001*. Rhinomed Limited is a for-profit entity for the purpose of preparing the financial statements.

#### (I) COMPLIANCE WITH IFRS

The consolidated financial statements of the Rhinomed Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (II) HISTORICAL COST CONVENTION

The financial statements have been prepared on a historical cost basis.

#### (III) GOING CONCERN

At 30 June 2019, the Group's cash and cash equivalents amounted to \$1,421,315 (2018: \$1,263,122) and for the

year ended 30 June 2019, the Group experienced a loss of \$5,940,742 (2018: \$4,004,324) and a net cash outflow from operating activities of \$4,493,527 (2018: net cash outflow of \$3,845,344). As disclosed in note 13, on 23 September 2019, Rhinomed Limited announced a capital raising of \$6 million (before costs), with these shares allotted on 26 September 2019.

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.

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.

As a result of these matters, there is material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Notwithstanding the material uncertainty pertaining to the ability of the Group to continue to access

additional capital and its future operating income, the financial statements have been prepared on a going concern basis. Accordingly the financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

**(IV) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

The Group has changed its accounting policies without making retrospective adjustments following the adoption of AASB 9 and AASB 15. This is disclosed in note 20.

**(V) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

TITLE OF STANDARD	NATURE OF CHANGE	IMPACT	MANDATORY APPLICATION DATE/ DATE OF ADOPTION BY GROUP
AASB 16 Leases	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.	<p>The Group has reviewed all leasing arrangements in light of the new lease accounting rules in AASB 16. The standard will affect the accounting for the Group's operating leases.</p> <p>As at the reporting date, the Group has non-cancellable operating lease commitments of \$77,064, see note 12(a). The Group expects to recognise right-of-use assets of approximately \$66,013 on 1 July 2019 and lease liabilities of \$74,989 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019). Overall net assets will be approximately \$8,976 lower.</p> <p>The Group expects that net profit after tax will increase by approximately \$8,796 for the year ended 30 June 2020 based on operating lease commitments as at 30 June 2019 as a result of adopting the new rules.</p> <p>Operating cash flows will increase and financing cash flows decrease by approximately \$77,064 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.</p> <p>The Group does not act in the capacity as a lessor and hence the Group does not expect any lessor impact on the financial statements.</p>	<p>The Group will apply the standard from its mandatory adoption date of 1 July 2019.</p> <p>The Group intends to apply the modified retrospective transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).</p>

There are no other standards that are not yet effective and that would be expected to have a material impact on

the Group in the current or future periods and on foreseeable future transactions.

# NOTE 19.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (B) PRINCIPLES OF CONSOLIDATION

#### (I) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when 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.

The acquisition method of accounting is used to account for business combinations by the Group.

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

#### (C) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources

and assessing performance of the operating segments, has been identified as the Board of Rhinomed Limited.

### (D) FOREIGN CURRENCY TRANSLATION

#### (I) 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 dollar (\$), which is Rhinomed Limited's functional and presentation currency.

#### (II) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency 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 of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated

For personal use only

statement of profit or loss on a net basis within other gains/(losses).

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 the fair value gain 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 the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities whose changes in the fair value are presented in other comprehensive income are included in the related reserve in equity.

### (III) 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 consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position
- income and expenses for each consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income 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 and other financial instruments designated as hedges of such investments, 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.

### (E) REVENUE RECOGNITION

The accounting policies for the Group's revenue from contracts with customers are explained in note 2.

# NOTE 19.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (F) GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received and all grant conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is expected to compensate.

### (G) INCOME TAX

The income tax expense or credit 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 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 substantially enacted by the end of the reporting period and 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.

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.

For personal use only

**(H) LEASES**

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

**(I) IMPAIRMENT OF NON-FINANCIAL 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.

**(J) 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. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

**(K) TRADE RECEIVABLES**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 5(b) for further information about the Group's accounting for trade receivables and note 9(c)(iii) for a description of the Group's impairment policies.

**(L) INVENTORIES**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average cost basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

For personal use only

# NOTE 19.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (M) INVESTMENTS AND OTHER FINANCIAL ASSETS

#### (I) CLASSIFICATION

From 1 July 2018, 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).

#### (II) RECOGNITION AND DERECOGNITION

Regular way purchases and sales of financial assets are recognised on trade-date, 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.

#### (III) MEASUREMENT

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

#### DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other



gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other

gains/(losses) in the period in which it arises.

#### (IV) IMPAIRMENT

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 9(c)(iii) for further details.

#### (V) INCOME RECOGNITION

##### *INTEREST INCOME*

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

# NOTE 19.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (VI) ACCOUNTING POLICIES APPLIED UNTIL 30 JUNE 2018

#### *CLASSIFICATION*

Until 30 June 2018, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

#### *SUBSEQUENT MEASUREMENT*

The measurement at initial recognition did not change on adoption of AASB 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL - in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income.

#### *IMPAIRMENT*

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or Group of financial assets was impaired. A financial asset or a Group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or Group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

#### ASSETS CARRIED AT AMORTISED COST

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of

impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### **(N) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at historical cost less depreciation. 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.

The depreciation methods and periods used by the Group are disclosed in note 6(a).

# NOTE 19.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 19(i)).

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

### **(O) INTANGIBLE ASSETS**

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

### **(I) GOODWILL**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

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

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to profit or loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets.

For personal use only

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

#### (II) 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.

#### (III) PATENTS AND TRADEMARKS

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives.

#### (IV) 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 de-recognition 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.

#### (P) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due

# NOTE 19.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### **(G) EMPLOYEE BENEFITS**

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as employee benefit obligations in the consolidated statement of financial position.

#### **(I) SHORT-TERM OBLIGATIONS**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and 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.

#### **(II) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS**

In some countries, 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**

Share-based compensation benefits are provided to employees via the 'employee share and option plan' (ESOP). Information relating to these schemes is set out in note 15.

For personal use only

**EMPLOYEE OPTIONS**

The fair value of options granted under the ESOP is recognised as a share-based payment 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 (e.g. the Company's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the Company over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings 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.

**(R) ISSUED CAPITAL**

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction (net of tax) of the share proceeds received.

**(S) LOSS PER SHARE****(I) BASIC LOSS PER SHARE**

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**(II) DILUTED LOSS PER SHARE**

Diluted loss per share adjusts the figures used in the determination of basic loss 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 19.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (T) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

### (I) IMPAIRMENT OF INTANGIBLE ASSETS

In the absence of readily available market prices, the recoverable amount of assets are determined using estimations of the present value of future cash flows using asset-specific discount rates. For patents, licences and other rights, these estimates are based on various assumptions concerning for example future sales profiles and royalty income, market penetration, milestone achievement dates and production profiles. Refer to note 6(b) for further details.

The Directors conducted an impairment assessment of the Group's intangible assets as at 30 June 2019 and concluded that an impairment charge was not necessary. The Directors assessed that intellectual property and development costs have a 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. The cash flows were discounted using a pre-tax discount rate of 20 percent (2018: 20 percent) at the beginning of the projection period. The projections reflected the Board's best estimate of the product's expected market share, its expanding distribution network and the Group's revenue stream. Gross profit was determined factoring in expected cost structures as well as estimated inflation rates over the period. A possible reasonable change in the discount rate or store numbers would not result in an impairment of the intangible assets.

### (II) IMPAIRMENT OF RECEIVABLES

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.

For personal use only



**(III) SHARE-BASED PAYMENTS**

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. Refer to note 15 for more details.

**(U) ROUNDING OF AMOUNTS**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

**(V) GOODS AND SERVICES TAX (GST)**

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 with other receivables or payables in the consolidated 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.

For personal use only

# NOTE 20.

## CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the Group's financial statements.

### (A) AASB 9 FINANCIAL INSTRUMENTS - IMPACT OF ADOPTION

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The adoption of this standard has not materially impacted the amounts disclosed in these financial statements.

#### (I) CLASSIFICATION AND MEASUREMENT

Except for certain trade receivables, under AASB 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category comprises trade receivables and financial assets at amortised cost (i.e. term deposits).

The assessment of the Group's business models was made as of the date of initial application, 1 July 2018 and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. There has been no adjustment made to the amounts disclosed as a result of the application of this standard.

#### (II) IMPAIRMENT OF FINANCIAL ASSETS

The adoption of AASB 9 has altered the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of AASB 9 has resulted in the recognition of a \$58,138 impairment allowance of the Group's debt financial assets, refer to note 9(c)(iii).

**(B) AASB 9 FINANCIAL INSTRUMENTS - ACCOUNTING POLICIES APPLIED FROM 1 JULY 2018**

*INVESTMENTS AND OTHER FINANCIAL ASSETS*

The accounting policies applied by the Group from 1 July 2018 are set out in note 19(m).

**(C) AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS - IMPACT OF ADOPTION**

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations and it applies to all revenue arising

from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The adoption of AASB 15 has not impacted the amounts disclosed within the financial statements. It did result in deferred revenue being recognised as part of contract liabilities from 1 July 2018. Deferred revenue for the year ended 30 June 2018 is stated on the face of the consolidated statement of financial position.

**(D) AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS - ACCOUNTING POLICIES APPLIED FROM 1 JULY 2018**

*REVENUE RECOGNITION*

The accounting policies applied by the Group from 1 July 2018 are set out in note 2(b).

For personal use only

For personal use only



# DIRECTOR'S DECLARATION

For personal use only

## DIRECTORS' DECLARATION

130

### In the Directors' opinion:


- A. the financial statements and notes set out on pages 68 to 127 are in accordance with the *Corporations Act 2001*, including:
- (I). complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (II). giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and
- B. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 19(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer 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**  
**EXECUTIVE DIRECTOR**

30 September 2019  
Melbourne

For personal use only



**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 controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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 2019 and of its financial performance for the year then ended; 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* ("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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Material Uncertainty Regarding Going Concern**

We draw attention to Note 19(a)(iii) of the financial report, which indicates that the Group incurred a loss of \$5.941 million (2018: loss of \$4.004 million) had a net operating cash outflow of \$4.494 million during the year (2018: net cash outflow of \$3.845 million). These conditions, along with other matters set forth in Note 19(a)(iii), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

[hlb.com.au](http://hlb.com.au)

**HLB Mann Judd (VIC Partnership) ABN 20 696 861 713**

Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001

T: +61 (0) 3 9606 3888 F: +61 (0) 3 9606 3800 E: [mailbox@hlbvic.com.au](mailto:mailbox@hlbvic.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (VIC Partnership) is a member of HLB International, the global advisory and accounting network



### 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 matter described below to be the key audit matter to be communicated in our report.

---

Key Audit Matter	How our audit addressed the key audit matter
------------------	--

---

#### Impairment of intangible assets

Refer to Note 6(b) *Intangible Assets*

---

At 30 June 2019, the Group's consolidated statement of financial position includes goodwill of \$1.565 million, capitalised development costs of \$193 thousand and intellectual property of \$1.197 million. In line with the Group's segment allocation, these are all assigned to a single Cash Generating Unit ("CGU").

The assessment of impairment of the Group's intangible assets incorporates significant judgement with respect to factors such as discount rates, future revenue forecasts, and growth in key markets.

The Group is exposed to potential impacts of economic uncertainty in Australia and overseas, varied consumer acceptance of the product, regulatory obstacles and cost pressures.

Whether the Group's value in use models for impairment included appropriate consideration of such variables, as well as appropriate underlying assumptions, is why impairment of assets is considered a key audit matter.

Our procedures included, but were not limited to:

- we assessed management's determination of the Group's CGU based on our understanding of the nature of the Group's operations. We also analysed the internal reporting of the Group to assess how earnings streams are monitored and reported;
- we evaluated management's processes for assessing whether any impairment losses have been incurred with respect to the Group's assets;
- we tested the Group's processes for preparing and reviewing budgets;
- we assessed the Group's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecast revenue and cost and discount rates;
- we checked the mathematical accuracy of the cash flow models and agreed relevant data to the latest forecasts;
- we assessed the historical accuracy of forecasting by the Group; and
- we performed sensitivity analysis over the model by focusing on the impact of changing growth and discount rates.





### 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 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors for the Financial Report

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

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

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For personal use only



**REPORT ON THE REMUNERATION REPORT**

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 49 to 59 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Rhinomed Limited for the year ended 30 June 2019 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.

*HLB Mann Judd*

A handwritten signature in black ink, appearing to read 'Nick Walker'.

**HLB Mann Judd**  
**Chartered Accountants**

**Nick Walker**  
**Partner**

Melbourne  
30 September 2019

For personal use only

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 19 September 2019.

### A. NUMBER OF HOLDERS OF EQUITY SECURITIES

#### ORDINARY SHARES

141,933,281 fully paid ordinary shares are held by 1,152 individual holders. All ordinary shares carry one vote per share.

### B. DISTRIBUTION OF ORDINARY FULLY PAID SHARES

	NO. OF HOLDERS	TOTAL UNITS	% OF ISSUED SHARE CAPITAL
<b>HOLDING RANGES</b>			
1 - 1000	79	16,262	0.01
1,001 - 5,000	280	948,846	0.67
5,001 - 10,000	208	1,719,813	1.21
10,001 - 100,000	473	17,575,631	12.38
100,001 and over	112	121,672,729	85.73
<b>TOTALS</b>	<b>1,152</b>	<b>141,933,281</b>	<b>100.00</b>

For personal use only

**C. TWENTY LARGEST ORDINARY  
FULLY PAID SHAREHOLDERS****FULLY PAID ORDINARY SHARES**

	HOLDER NAME	NUMBER	%
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	36,178,890	25.40
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	8,699,167	6.13
3	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	8,454,667	5.96
4	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,239,416	5.81
5	CITICORP NOMINEES PTY LIMITED	4,801,190	3.38
6	KROY WEN PTY LTD <DEWHURST SUPER FUND A/C>	4,384,680	3.09
7	KROY WEN PTY LTD	3,815,320	2.69
8	PICTON COVE PTY LTD	3,224,262	2.27
9	KENSINGTON CAPITAL MANAGEMENT PTY LTD	2,800,000	1.97
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,302,304	1.62
11	ABINGDON NOMINEES PTY LTD <ABINGDON NOMS INVEST A/C>	2,200,000	1.55
12	MUTUAL TRUST PTY LTD	2,088,645	1.47
13	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	1,671,334	1.18
14	ARGUS NOMINEES PTY LTD <THE HALSTEAD SUPER FUND A/C>	1,575,935	1.11
15	MR JAMES MELLON	1,312,500	0.92
16	JASFORCE PTY LTD	1,189,897	0.84
17	PETER CROKE HOLDINGS PTY LTD	1,000,000	0.70
18	J P MORGAN NOMINEES AUSTRALIA LIMITED	932,300	0.66
19	PMR JASON STANLEY MACDONALD	913,152	0.64
20	LIME INVESTMENT HOLDINGS PTY LIMITED <LIME INVESTMENT HOLDINGS A/C>	900,000	0.63
	<b>TOTAL OF TOP 20 SHAREHOLDERS</b>	<b>96,683,659</b>	<b>68.11</b>

For personal use only

RHINOMED  
2019

138

#### D. UNMARKETABLE PARCELS

Holdings less than a marketable parcel of ordinary shares (being 110,213 as at 19 September 2019):

HOLDERS	UNITS
131	110,213

#### E. SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the *Corporations Act 2001* are:

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES
W. WHITNEY GEORGE	35,384,852
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	8,699,167
THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	8,454,667
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,239,416
KROY WEN PTY LTD	8,200,000
<b>TOTAL NUMBER OF SHARES HELD BY SUBSTANTIAL SHAREHOLDERS</b>	<b>48,541,877</b>

For personal use only

## FORWARD LOOKING STATEMENT

RHINOMED  
2019

139

Any forward looking statements in this document have been prepared on the basis of a number of assumptions which may prove incorrect and the current intentions, plans, expectations and beliefs about future events are subject to risks, uncertainties and other factors, many of which are outside Rhinomed Limited's control. Important factors that could cause actual results to differ materially from any assumptions or expectations expressed or implied in this annual report include known and unknown risks. As actual results may differ materially to any assumptions made in this annual report, you are urged to view any forward looking statements contained in this annual report with caution. This annual report should not be relied on as a recommendation or forecast by Rhinomed Limited, and should not be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

For personal use only

For personal use only

**R H I N O M E D**

L1, 132 Gwynne St  
Richmond, VIC 3121  
Australia

**T** +61 (0) 3 8416 0900  
info@rhinomed.global  
www.rhinomed.global

**ASX: RNO, OTCQB: RHNMF**