

Infection Prevention. **For Life.**

Annual Report 2023



nanosonics



Overview

Nanosonics (ASX:NAN) is an Australian infection prevention company that has successfully developed and commercialised a unique automated disinfection solution, trophon® technology, representing the first major innovation in high-level disinfection for ultrasound probes in more than 20 years.

trophon technology is fast becoming the global standard of care for ultrasound probe disinfection. We will continue to drive trophon adoption through our ability to transform the way infection prevention practices are understood and conducted in existing markets and through continued geographical expansion.

Our commitment to innovation is reflected in our investment in research and product development as we look to expand our product portfolio and bring new infection prevention products to market.

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Our mission

We improve the safety of patients, clinics, their staff and the environment by transforming the way infection prevention practices are understood and conducted, and introducing innovative technologies that deliver improved standards of care.



The global leaders in infection prevention

With an installed base of
32,450 trophon units globally,
approximately **26 million patients**
are protected every year from the risk of
ultrasound probe cross contamination.

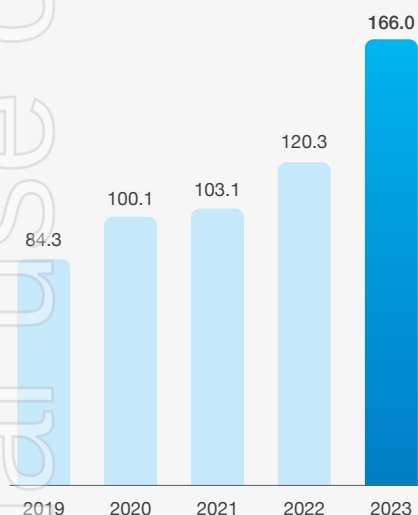
Financial highlights

Revenue

\$166.0m

▲38%

vs FY22

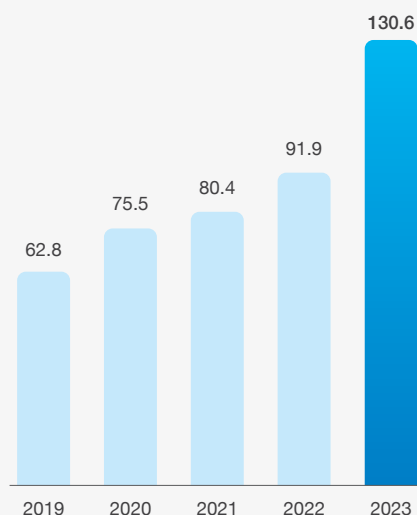


Gross Profit

\$130.6m

▲42%

vs FY22

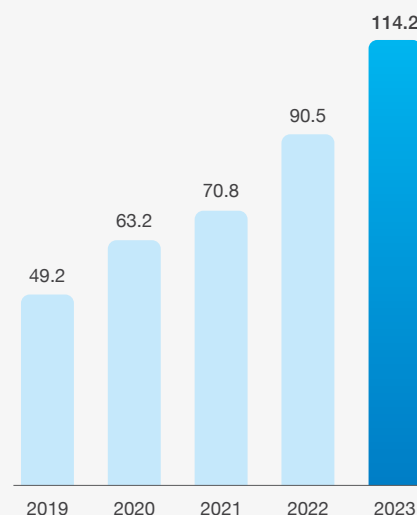


Operating Expenditure

\$114.2m

▲26%

vs FY22

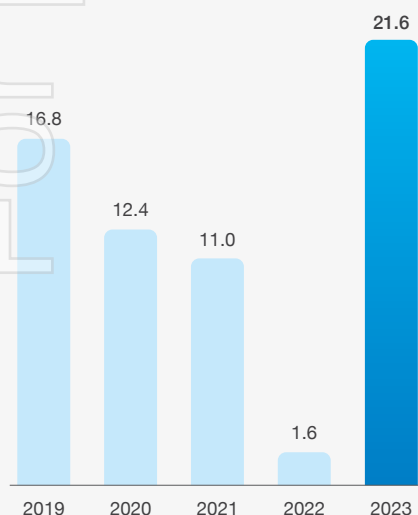


Profit Before Tax

\$21.6m

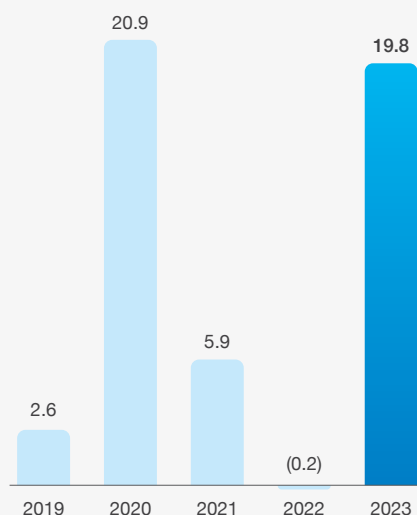
▲1,250%

vs FY22



Free Cash Flow

\$19.8m

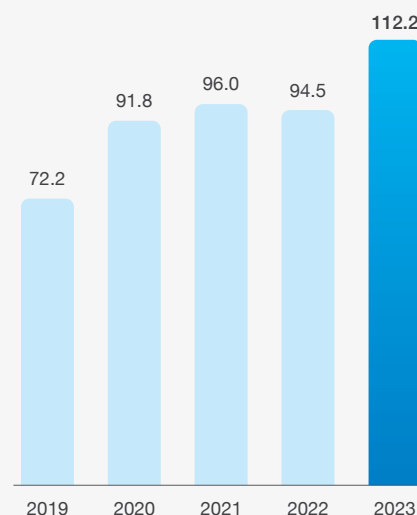


Cash And Cash Equivalents

\$112.2m

▲19%

vs FY22



2014-2023 results

\$'000	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenue	165,993	120,320	103,079	100,054	84,324	60,698	67,507	42,796	22,214	21,492
Gross profit	130,645	91,905	80,384	75,513	62,816	45,291	50,155	32,166	15,313	13,921
R&D expenses	(29,514)	(22,358)	(17,194)	(15,558)	(11,375)	(9,882)	(9,486)	(7,297)	(4,902)	(4,103)
EBITDA	26,772	7,509	15,188	15,563	17,642	5,861	14,140	950	(4,732)	(1,845)
EBIT	19,635	1,782	10,763	11,671	15,502	4,362	12,866	(359)	(5,795)	(2,820)
Operating profit/(loss) before tax	21,596	1,578	10,984	12,459	16,830	5,583	13,852	136	(5,465)	(2,636)
Net income tax benefit/(expense)	(1,713)	2,164	(2,406)	(2,322)	(3,228)	168	12,306	(14)	5	31
Operating profit/(loss) after tax	19,883	3,742	8,578	10,137	13,602	5,751	26,158	122	(5,460)	(2,605)
Cash and cash equivalents	112,159	94,512	96,027	91,781	72,180	69,433	62,989	48,841	45,724	21,233

“The 2023 financial year has been another year of significant achievement. The trophon business continued to expand globally, delivering excellent sales growth and profitability.”

Michael Kavanagh | CEO & President



Letter to shareholders

The 2023 financial year has been another year of significant achievement as the organisation continued to grow the global trophon business, serve its customers and continue to invest in its strategy to expand its participation in the multi-billion dollar infection prevention market.



Letter to shareholders continued

The 2023 financial year saw the Company continue to focus on meeting customer needs and make strong progress against its strategic growth agenda. The core trophon business continued to expand globally delivering excellent sales growth and profitability.

Our commitment to ongoing investment in the drivers of future growth through geographical expansion and Research and Development also continued with the Company successfully executing several key strategic priorities throughout the year. Central to these was the successful evolution of our sales model in our largest market, North America, to a largely direct sales model with capital reseller agreements remaining in place with ultrasound OEMs. FY23 was the first full year operating under this model. Aligned with the Company's ultimate goal of operating through more direct sales channels, the Company also established a direct operation in Ireland during the year.

Progress was also made with our geographical expansion plans. In Japan, the Company continues its investment in market development efforts to establish local high-level disinfection guidelines for the reprocessing of ultrasound transducers. A new infection control management bundle for ultrasound probe reprocessing in Obstetrics and Gynaecology was recently published by an advisory committee on infection control in Obstetrics and Gynaecology. This was recently presented at the Japanese Society of Infection Prevention and Control (JSIPC).

In China, the necessary documentation for regulatory approval to market and sell trophon2 is now under review with the Chinese regulatory authorities.

Research and development continues to be a cornerstone of the future growth of the Company. Through our R&D investments, the Company has built depth in its capacity and capabilities. Our next transformational product, CORIS[®], is being designed to address one of the most recognised unmet needs in medical instrument reprocessing, endoscope cleaning. It was recently presented at the North American national infection prevention conference, APIC, with more presentations at infection prevention conferences planned throughout FY24. Recent consultation with the FDA through the STeP program, gave us early notice that certain testing originally scheduled to be conducted in Australia is now required to be completed in the USA. The Company is taking the necessary preparatory steps to conduct this testing which necessitates the set-up of a clinical simulation laboratory in the USA, similar to the one established at Nanosonics HQ in Sydney. In parallel, the in-use clinical trial plans will go ahead in Australia as previously planned.

The required testing in the USA will impact the FDA de novo submission date which will likely move into Q3 FY24. Given that the FDA submission is the key priority, there will also be an impact on the timing for commercialisation plans for other markets including Australia and Europe, which will be clearer once the FDA de novo submission is made.¹

Growth momentum continued and the global total installed base grew 9% for the year with 32,450 trophon units now in operation around the world. Importantly, 32,450 trophon units in operation means over 26 million patients are protected from the risk of ultrasound probe cross-contamination annually. The number of customers upgrading from the first generation trophon EPR device to trophon2 is now growing significantly with over 1,800 upgrade units placed in FY23, up 81% compared to FY22. These upgrades bring significant benefits to customers in terms of usability, traceability and digitisation compared to other available solutions. Significantly, in addition to capital revenue and the ongoing annuity revenue from consumables associated with each upgrade, upgrades also represent an opportunity for increased annuity revenue in the form of service revenue.

Throughout the year our manufacturing and logistics teams continued to manage a challenging and complex supply chain. There was an approximate three-fold increase in the number of shipments to customers in North America from our direct operations as a result of the transition to a largely direct model. Continuity of supply was maintained across all regions with all customers' orders being delivered in full and on time. Total revenue for the year grew 38% for the year to \$166.0 million. Capital revenue was up 44% to \$54.2 million resulting from increased new installed base and significant growth in upgrades from our first-generation EPR device to trophon2. Consumable and service revenue also grew strongly up 35% to \$111.8 million as ultrasound procedures returned to pre COVID-19 pandemic levels coupled with the ongoing growth in the installed base.

Growth in revenue was primarily driven in North America which saw a 41% growth to \$150.4 million. This growth reflects the benefits of the move to a largely direct operation in North America which resulted in improved capital and consumable pricing, growth in upgrades and growth in the number of trophon units under direct service contracts. Having a direct interface with our customers brings many benefits to not only serve better but to deepen our understanding of their needs.

The operating environment in Europe was challenging throughout the year. Total European revenue was up 8% to \$8.1 million. Asia Pacific total revenue grew 27% to \$7.5 million.

Gross profit margin for the year was 78.7% compared with 76.4% in FY22. Consistent with our commitment to invest for future growth, operating expenses were \$114.2 million up 26% versus FY22. This includes \$29.5 million associated with R&D.

Profit before tax for the year was \$21.6 million up from \$1.6 million in FY22.

Excluding the investments in our long-term growth strategy, in particular those associated with future product expansion, the trophon business alone delivers significant earnings with operating profit before tax of approximately \$44.0 million and return on equity of 22%². This return is inclusive of investments being made in emerging markets for trophon that are not currently contributing significantly to revenue today but have the potential to do so in the future.

1. All research and new product development programs involve inherent risks and uncertainties which can impact commercialisation timelines.

2. Profit before tax and return on equity of the trophon business are based on an unaudited pro forma profit and loss statement, which reflects total Company results less operating costs associated with new product development and commercialisation. Operating costs reflect unaudited management allocation estimates where resources are shared between trophon and new product development and commercialisation. The pro forma profit and loss statement also includes income received from the Jobs Plus Program.

Letter to shareholders continued

Cash and cash equivalents were \$112.2 million at 30 June 2023, providing a strong foundation for continued investment in growth, as well as potential M&A opportunities to further expand the Company's product portfolio. The Company has no debt and continues to regularly review its capital management strategy.

On behalf of our Board and shareholders we take the opportunity to recognise the outstanding efforts of the Nanosonics team who display the Company's values and commitment in not only achieving our operational objectives, but successfully driving our strategic aims to deliver value to our customers and our shareholders. The values of Agility, Discipline and Will to Win have been on full display throughout the year in all our operations worldwide.

Throughout the year we continued to expand our capacity and capability with the total number of employees increasing 13% to 482, all united by the commitment to the Company mission of improving the safety of patients, clinics, staff and the environment.

Diversity and inclusion is recognised as a core value of the organisation and an important driver of our growth. Our core value of Collaboration means we do things together because we value diversity of opinion, perspective, experience and knowledge and are stronger when we work as a team. The Nanosonics workforce now represents over 30 different nationalities with 45% of employees being female. 40% of senior leaders positions held in the organisation are also held by females. Consistent with prior years our people focus was recognised with a number of excellent results in the Company engagement survey with 93% of employees believing in the overall purpose of the organisation and 88% understanding how their work contributes to the goals of the Company.

We were also pleased to see the Company's expanding ESG agenda outlined in the FY23 Sustainability Report. We believe ESG as being strongly aligned with our Mission and Purpose. It is not just related to our longer-term sustainable growth, but rather it is fundamental to having a sustainable business that adds value in the communities in which we operate in the longer term. We continue to invest in this area in a number of important ways. This year, we undertook an exercise to measure our carbon footprint. We look forward to doing further work and staying aligned with our stakeholders' expectations in this important area.

We also continued to engage, both internally and in the communities in which we operate, through a range of important initiatives such as internships, participation in the National Youth Science Forum, initiatives associated with mental health first aid, and NAIDOC week amongst others. Importantly, we achieved a milestone in the IT area by achieving certification against ISO 27001 and we look forward to seeing our resiliency in the area of information security management continue to mature. By innovating and manufacturing medical devices that meet unmet needs in the infection prevention field, we contribute to important public health outcomes in a way that would not otherwise be available to communities. As we grow, so does our impact in this regard.

During the reporting period, McGregor Grant, our longstanding Chief Financial Officer & Company Secretary, announced he would resign from the Company after 12 years in the role. As we communicated previously, McGregor has been an integral part of the Nanosonics Executive team playing a critical role in making Nanosonics a leading global medical device business. He has made a significant and lasting contribution to the success of Nanosonics and together with the Board we thank him for his valuable service and wish him well in the future.

We would like to recognise the outstanding stewardship and commitment of our Board. Over a number of years the Company has gone through a process of Board renewal. With each new director joining, the business has benefited from an injection of valuable expertise and industry insight. We were very pleased to see this process continue with the announcement of the appointment of Dr Tracey Batten who will join the board in September 2023. Tracey's combination of deep healthcare sector experience clinical expertise, coupled with executive leadership experience, will add tremendous value to the Board and Company.

The Board reflects diversity in a number of important and complementary ways. It is pleasing that the percentage of females on the Board is now 33% which contributes to the diversity of perspectives on the Board. Our directors all bring a mix of skills and perspectives that strongly support our growth and governance objectives and, through the Board sub-Committees, add real value to our business. Together with the Company's strong balance sheet, resilient business model, transformational products and technologies and its leadership team and people, the organisation is well positioned to continue to create value for all our stakeholders – clinicians, patients, employees, and shareholders.



Steve Sargent
Chairman



Michael Kavanagh
CEO & President

22 August 2023

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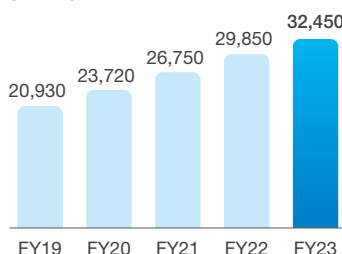
Financial and operational review

Installed base

Growth momentum continued and total global installed base grew 9% for the year with 32,450 trophon units now in operation around the world.

The pipeline for new installed base grew throughout the year. However, due to a range of adverse market conditions, new installed base growth declined 16% compared to prior corresponding period. Many of the new pipeline generated during the year are now forecasted for sale in FY24. Importantly, 32,450 trophon units in operation means over 26 million patients are protected from the risk of ultrasound probe cross-contamination annually.

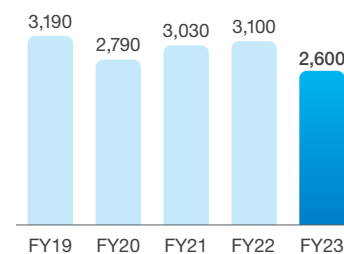
Global total installed base (units)



Cumulative installed base

▲ 9%
in last 12 months

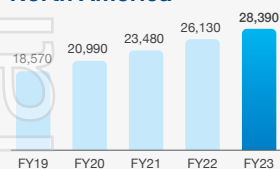
New installed base (units)



New installed base

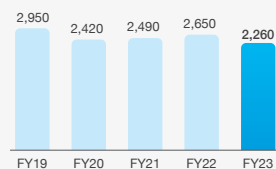
▼ 16%
FY23 vs FY22

North America



Cumulative installed base

▲ 9%
in the last 12 months



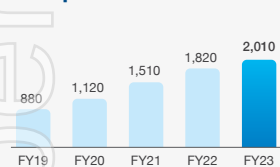
New installed base

▼ 15%
FY22 vs FY23

In North America, the total installed base increased by 2,260 units for the year to 28,390 units, representing a 9% increase. The pipeline for new installed base continued to grow throughout the year, however, restrictions on certain hospital capital budgets delayed the dates of purchase which are now forecasted for FY24. This was most pronounced in H2 of FY23. These delays resulted in the growth in new installed base for the year being down 15% compared to prior corresponding period.

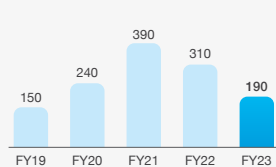
With trophon represented in over 5,000 institutions, a large percentage of the new installed base placed in FY23 were installed in new departments within the same hospital. This demonstrates a growing standardisation across all departments within a hospital for the use of trophon as their standard of care for the high-level disinfection of ultrasound transducers.

Europe and Middle East



Cumulative installed base

10%
in the last 12 months

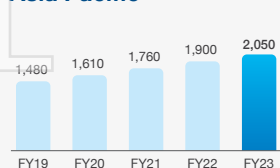


New installed base

▼ 39%
FY22 vs FY23

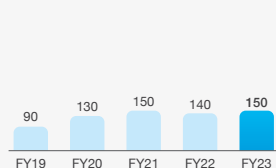
In Europe and Middle East, the market challenges experienced in the first half of the year relating to ongoing COVID-19 and budgetary pressures experienced by the hospital systems continued into the second half. While new installed base grew 38% in the second half over the first half with 110 units installed in H2 of FY23, overall new installed base was down 39% on prior year.

Asia Pacific



Cumulative installed base

▲ 8%
in the last 12 months



New installed base

▲ 7%
FY22 vs FY23

In Asia Pacific, new installed base grew 7% for the year, with 150 units installed further consolidating the market leading position for trophon in Australia and New Zealand.

Progress was also made with our geographical expansion plans. In Japan, the Company continues its investment in market development efforts to establish local high-level disinfection guidelines for the reprocessing of ultrasound transducers. A new infection control management bundle¹ for ultrasound probe reprocessing in Obstetrics and Gynaecology was recently published by an advisory committee on infection control in Obstetrics and Gynaecology. This was recently presented at the Japanese Society of Infection Prevention and Control (JSIPC).

In China, the necessary documentation for regulatory approval to market and sell trophon2 is now under review with the Chinese regulatory authorities.

Graphs are not to scale and therefore not comparable.

1. A bundle is a set of evidence-based practices that when performed collectively and reliably have been proven to improve patient outcomes. It is a structured way of improving the processes of care for specific conditions or situations. <https://usipbundle.jp>

Financial and operational review continued

Upgrades



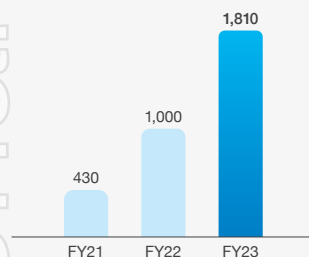
Global upgrades grew 81% compared with prior corresponding period with 1,810 upgrade units installed.

Upgrades represent a significant growth opportunity with new capital revenue, ongoing consumables annuity revenue, and also new annuity revenue through the sale of technical service contracts.

Approximately 35% of the global installed base is seven years of age or older.

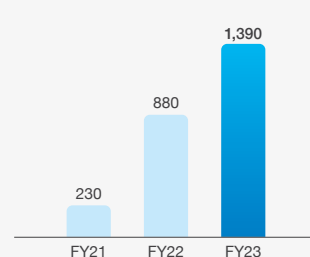
Global

▲ **81%**
vs FY22



North America

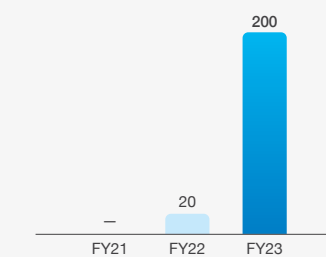
▲ **58%**
vs FY22



trophon2 upgrades in North America continued to grow strongly throughout the year with 1,390 upgrades placed, up 58% over prior corresponding period.

Europe and Middle East

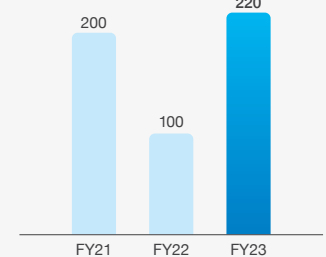
▲ **900%**
vs FY22



Upgrades for the year were up 900% compared to FY22 with 200 upgrades installed. This growth was largely driven by upgrades installed under the Management Equipment Services sales model.

Asia Pacific

▲ **120%**
vs FY22



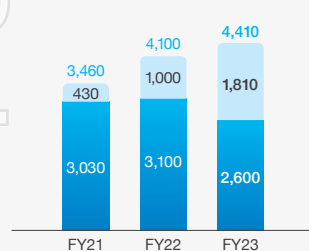
Upgrade installations for the year grew 120% with 220 units installed.

Total units

● New installed base ● Upgrades

Global

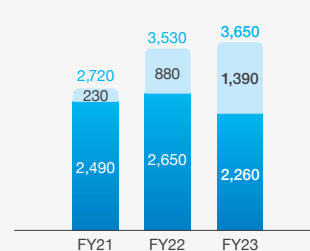
▲ **8%**
vs FY22



Global total trophon2 units¹ grew 8% on prior corresponding period with 4,410 units placed in the year.

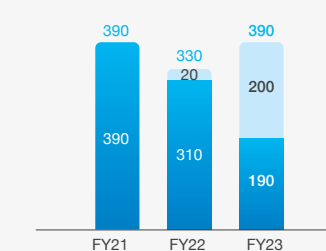
North America

▲ **3%**
vs FY22



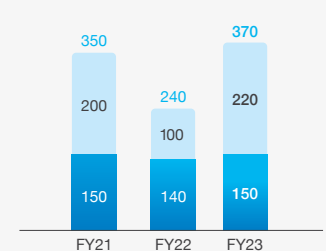
Europe and Middle East

▲ **18%**
vs FY22



Asia Pacific

▲ **54%**
vs FY22



Graphs are not to scale and therefore not comparable.

1. Total units comprises new installed base units and upgrades including UK MES units.

Financial and operational review continued

Global revenue

Total revenue for the year was \$166.0 million, up 38% on the prior corresponding period (30% in constant currency¹).

The growth in revenue was attributable to:

- growth in total units;
- increased consumables volumes associated with growth in new installed base and improved ultrasound procedure volumes;
- favourable pricing associated with the transition to the largely direct North American sales model;
- increased service revenue; and
- favourable foreign exchange associated primarily with a relatively stronger USD.

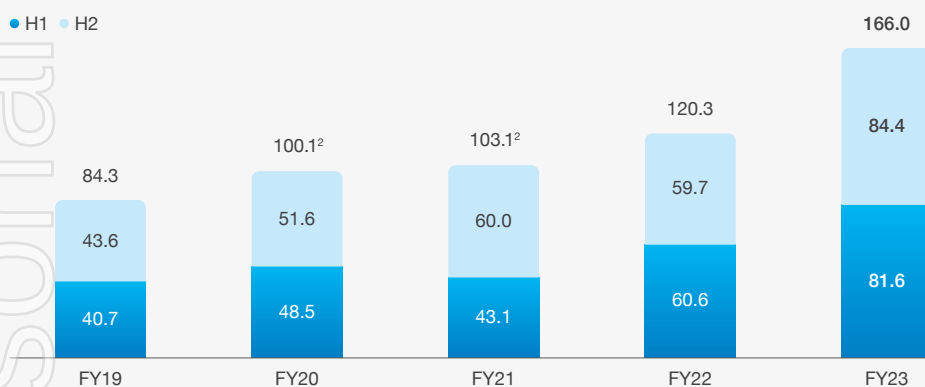
Total revenue

\$166.0m

▲ 38%
vs FY22

Total revenue (\$m)

● H1 ● H2



▲ 38%
vs FY22

▲ 30%
vs FY22 in CC¹



1. Constant currency removes the impact of foreign exchange rate movements to facilitate comparability of operational performance. This is done by converting the current year sales of entities that use currencies other than Australian dollars at the average rates that were applicable in the prior year. The average exchange rate used for the Company's major foreign currency (USD) for the year was 0.6731 (2022:0.7283).

2. FY20 and FY21 revenue impacted by COVID-19 pandemic and associated restrictions to the hospital systems and elective procedures.

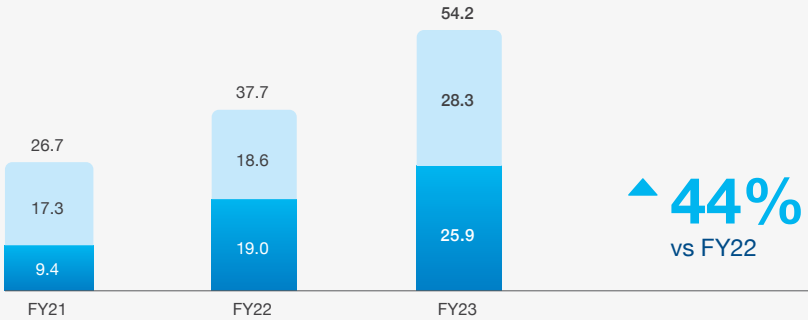
Financial and operational review continued

Capital revenue

Capital revenue for the year was \$54.2 million, up 44% (35% in constant currency) on the prior corresponding period. This increase is a result of 4,410 units being sold during the year, together with improved pricing under the new North American sales model, and favourable foreign exchange.

Capital revenue (\$m)

● H1 ● H2

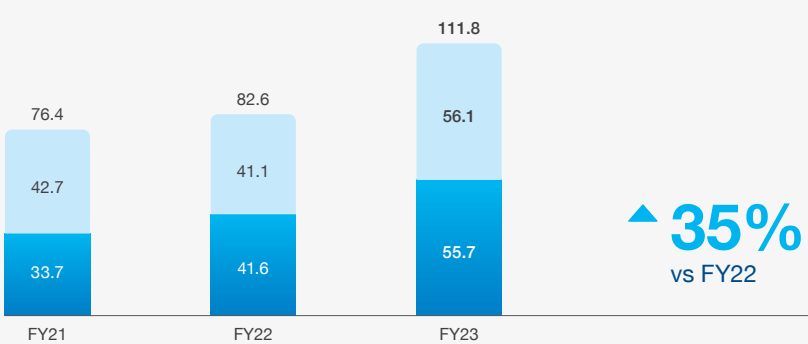


Consumables and service revenue

Consumables and service revenue for the year was \$111.8 million, up 35% (28% in constant currency) on the prior corresponding period. This growth was driven by new installed base, consumables usage, growth in service revenue, with favourable pricing and foreign exchange.

Consumables and service revenue (\$m)

● H1 ● H2



Graphs are not to scale and therefore not comparable.

Financial and operational review **continued**

North America revenue

Total revenue was \$150.4 million, up 41% on the prior corresponding period

Capital revenue for the year was \$48.9 million up 46% on the prior corresponding period.

Consumables and service revenue was \$101.4 million, up 38% on the prior corresponding period.

These increases were attributable to growth in total units installed, increased consumables associated with new installed base, increase in service revenue, favourable pricing and foreign exchange.

Total revenue

\$150.4m

▲ 41%
vs FY22

Europe and Middle East revenue

Total revenue was \$8.1 million, up 8% on the prior corresponding period with revenue in the second half up 25% versus the first half.

The market challenges experienced in the first half of the year, relating to ongoing impacts of COVID-19 and budgetary pressures experienced by the hospital systems, continued into the second half.

Total trophon units installed grew 18% on the prior corresponding period, however, this growth was largely driven by upgrades installed under the Managed Equipment Services sales model for which no capital revenue is received. As a result, capital revenue for the year was \$1.9 million, down 10% on the prior corresponding period.

Revenue associated with consumables and service was \$6.2 million, up 15% on the prior corresponding period with consumables and service revenue growing 30% between the first and second halves.

Total revenue

\$8.1m

▲ 8%
vs FY22

Asia Pacific revenue

Total revenue was \$7.5 million, up 27% on the prior corresponding period

Capital revenue for the year was \$3.3 million, up 74% on the prior corresponding period reflecting the strong growth in upgrades as well as ongoing growth in new installed base.

Revenue associated with consumables and service for the year was \$4.2 million, up 5% on the prior corresponding period.

Total revenue

\$7.5m

▲ 27%
vs FY22

Financial and operational review continued

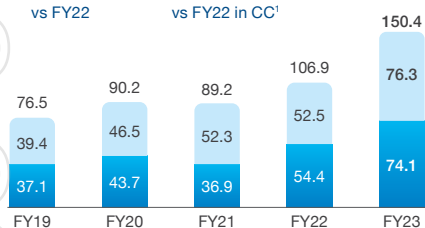
North America revenue

Total revenue (\$m)

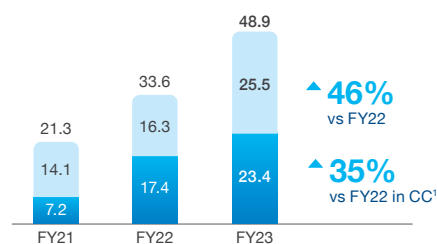
● H1 ● H2

▲ **41%**
vs FY22

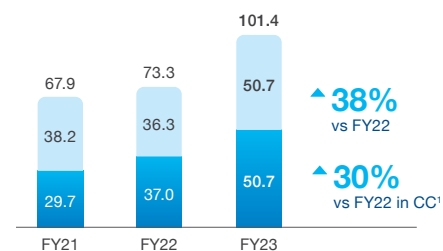
▲ **32%**
vs FY22 in CC¹



Capital revenue (\$m)



Consumables/service revenue (\$m)

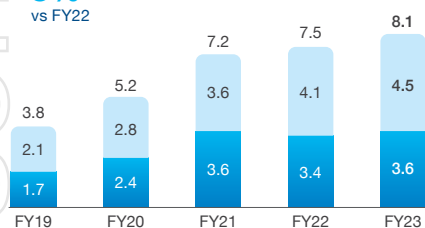


Europe and Middle East revenue

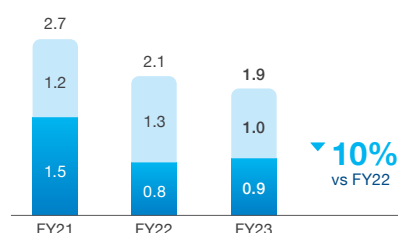
Total revenue (\$m)

● H1 ● H2

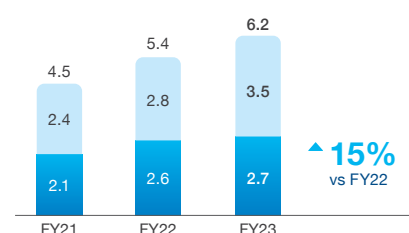
▲ **8%**
vs FY22



Capital revenue (\$m)



Consumables/service revenue (\$m)

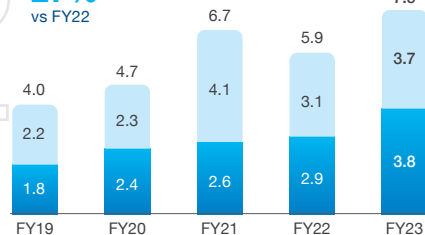


Asia Pacific revenue

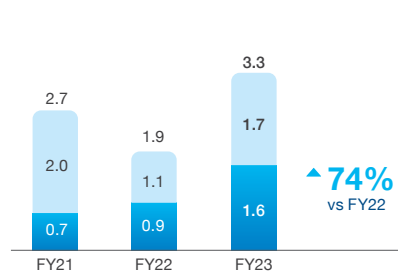
Total revenue (\$m)

● H1 ● H2

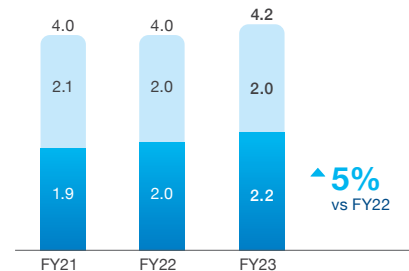
▲ **27%**
vs FY22



Capital revenue (\$m)



Consumables/service revenue (\$m)



Graphs are not to scale and therefore not comparable.

1. Constant currency removes the impact of foreign exchange rate movements to facilitate comparability of operational performance. This is done by converting the current year sales of entities that use currencies other than Australian dollars at the average rates that were applicable in the prior year. The average exchange rate used for the Company's major foreign currency (USD) for the year was 0.6731 (2022:0.7283).

Financial and operational review **continued**

Other financial results

Gross profit

Gross profit margin for the year was 78.7% compared with 76.4% in the prior corresponding period, primarily driven by favourable capital and consumables pricing in North America together with favourable foreign exchange. These benefits were partially offset by higher freight costs associated with increased shipping volumes under the new largely direct sales model in North America.

Global operating expenses

In line with the Company's ongoing strategy to invest for growth, operating expenses of \$114.2 million for the year increased 26% compared to the prior corresponding period.

The primary drivers for an increase in operating expenses included:

- Increase in North American expenses as a result of the transition to a largely direct sales model;
- Increase in investment in new and emerging markets;
- Ongoing investment in R&D supporting expansion of product portfolio;
- Infrastructure expenditure associated with the new Corporate HQ, R&D and Manufacturing facility; and
- The unfavourable impact of foreign exchange on USD denominated expenses.

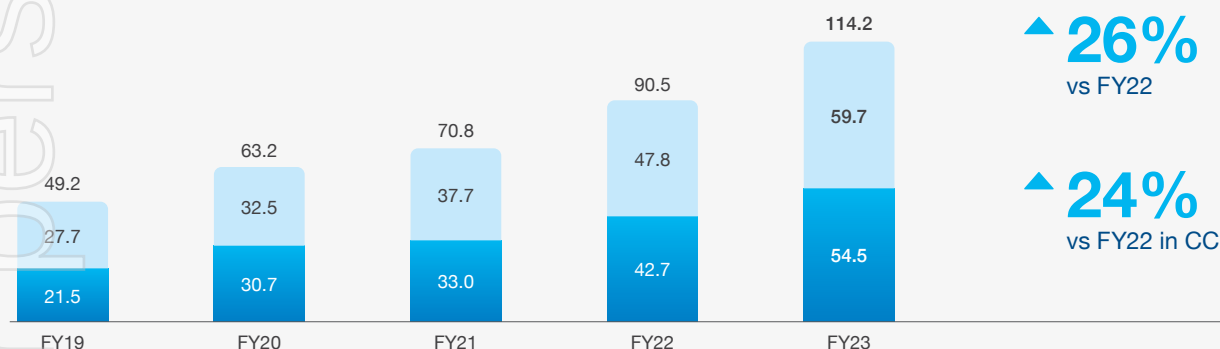
Operating expenses

\$114.2m

▲ 26%
vs FY22

Total operating expenses (Global, \$m)

● H1 ● H2



Investing for growth – Operating expenses

The Company's commitment to ongoing investment in the drivers of future growth through geographical expansion and research and development continued with the Company successfully executing several key strategic priorities throughout the year.

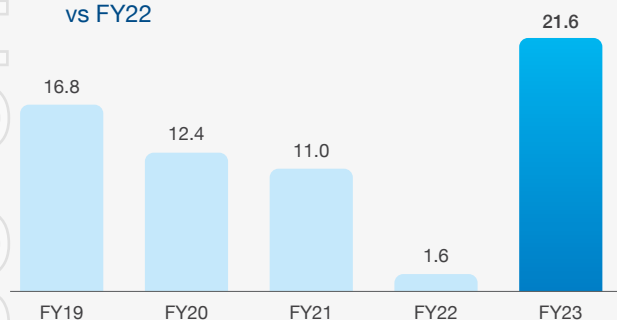
Global operating expenses of \$114.2 million, can be broadly broken into the following categories:

- Market development comprising approximately 46% of our total operating expenses. These investments are associated with continuing to drive ongoing growth in mature markets, such as the USA, ANZ and UK, where the majority of our current revenue is derived, as well as investing in expanding our geographical presence in emerging trophon markets, such as Japan, China and a number of European markets.
- Research and development representing approximately 26% of operating expenses. These expenses support ongoing R&D in the trophon franchise as well as new product categories like CORIS® in endoscopy reprocessing, as well as research activities in broader infection prevention areas.
- Operations, HQ and support, representing approximately 28% of operating expenses, is associated with the development of scalable manufacturing capacity to support ongoing growth in global demand as well as setting up manufacturing operations for new product introductions. These expenses also include our first full year in the new global headquarters which provides capacity to support the ongoing growth.

Financial and operational review **continued**

Profit before tax (Global, \$m)

▲ **1,250%**
vs FY22



Other income and profit before tax

Other income

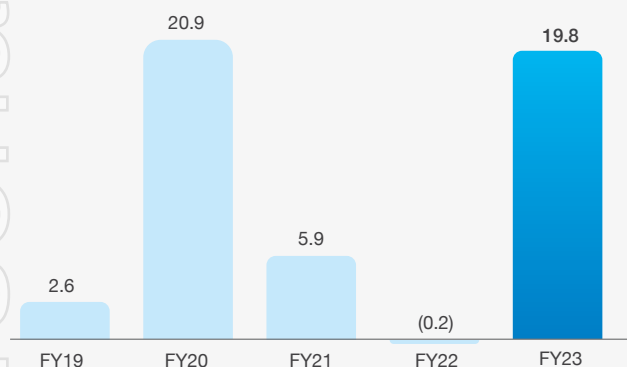
Other income for the year was \$1.3 million, up \$0.8 million compared with FY22. The increase in other income was mainly attributable to NSW State Government funding associated with the Jobs Plus Program.

Profit before tax

Profit before tax for the year was \$21.6 million compared with \$1.6 million in FY22, resulting from strong growth in total revenue, higher gross profit margin and improved operating leverage with total operating expenses reducing as a percentage of total revenue to 68.8% compared with 75.2% in FY22.

Working capital

Free cash flow (Global, \$m)



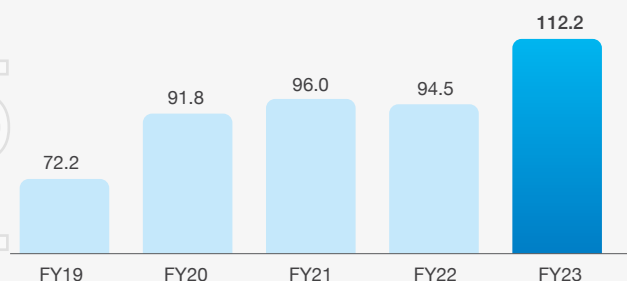
Free cash flow

Free cash flow for the year was \$19.8 million compared with a net outflow of \$0.2 million in FY22.

Free cash flow

\$19.8m
in last 12 months

Cash and cash equivalents (Global, \$m)



Cash and cash equivalents

Cash and cash equivalents were \$112.2 million at 30 June 2023, providing a strong foundation for continued investment for growth, as well as potential M&A opportunities to expand the Company's product portfolio. The Company has no debt and continues to regularly review its capital management strategy.

Cash and cash equivalents

\$112.2m
at 30 June 2023

During the year, the Company's inventory increased \$2.9 million to \$25.5 million. The increase was driven by the need to carry more 'safety' inventory as a result of the transition to a largely direct selling model in North America and the primary use of sea freight to manage freight cost. The Company continues to monitor freight and logistics challenges and plans to reduce inventory during FY24 as the broader supply chain complexities ease.

Total trade and other receivables increased 39% or \$10.9 million to \$38.8 million, with the increase in receivables associated with higher sales attributed to the more direct business model in North America.

Financial and operational review **continued**

Research and development

During the year the Company invested \$29.5 million in R&D, up 32% compared with the prior corresponding period.

Research and development continues to be a cornerstone of the future growth of the Company.

Through our R&D investments, the Company has built depth in its capacity and capabilities with programs across chemistry, microbiology, biochemistry, physics, and core engineering disciplines as well as medical and regulatory affairs. Indeed, the Company has built several unique capabilities which provide strategic advantage in areas such as biofilm production and testing in very small diameter lumens. These important investments position the Company well to further expand its participation activities as a leading infection prevention company.

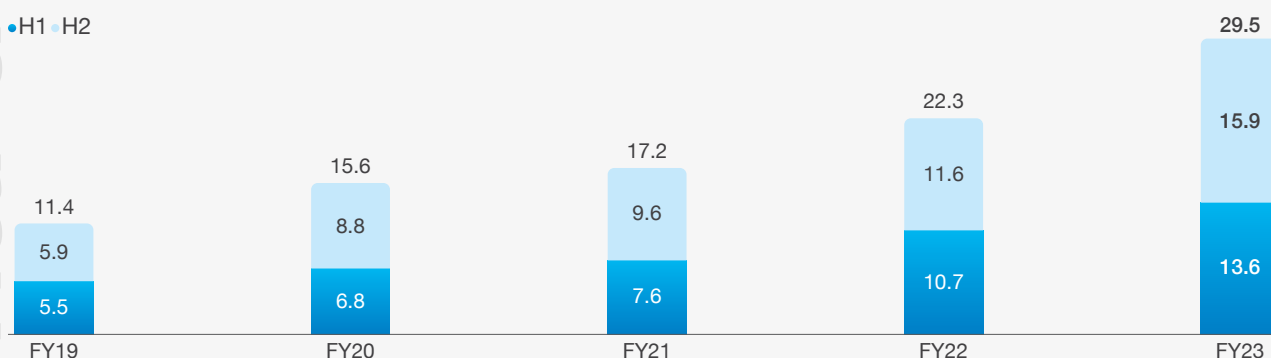
Investment in R&D

\$29.5m

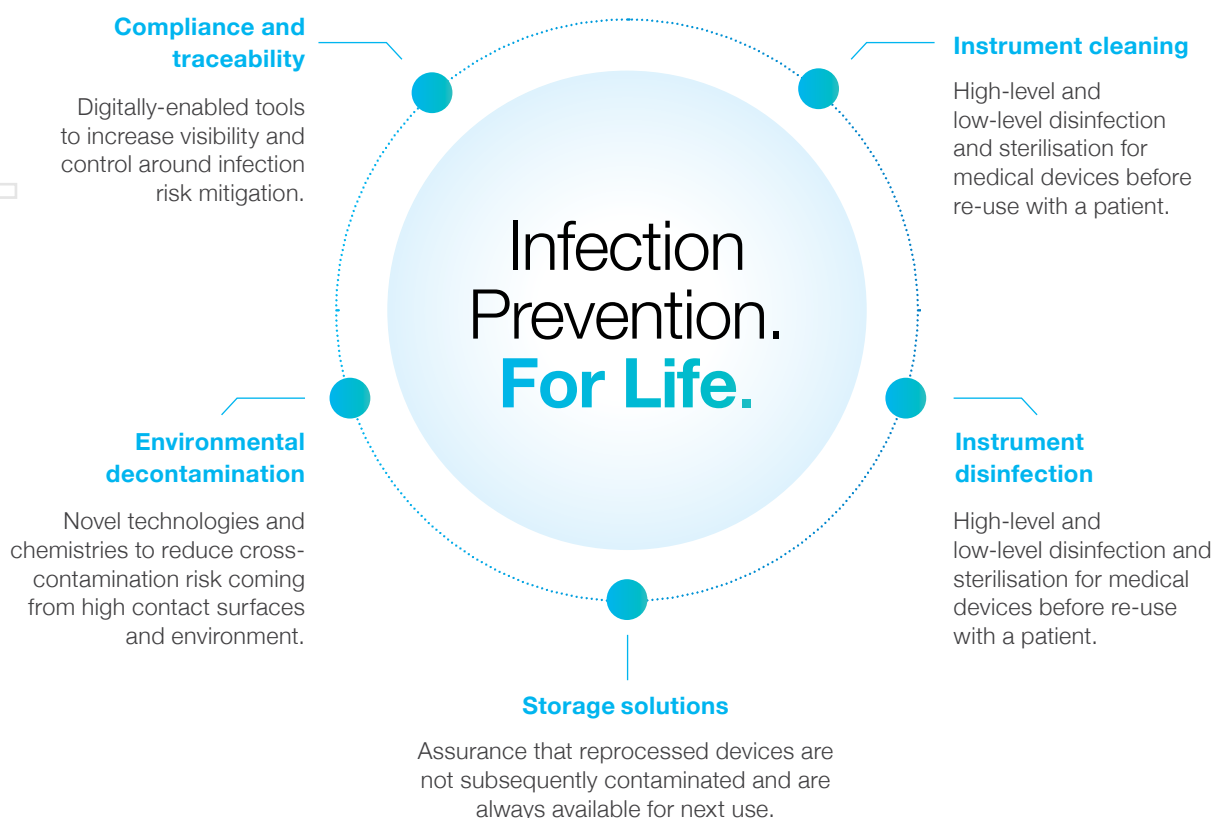
▲ 32%
vs FY22

Investment in R&D (Global, \$m)

• H1 • H2



Five core areas of R&D focus



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Key capabilities

CHEMISTRY

PHYSICS

BIOCHEMISTRY

MICROBIOLOGY

MEDICAL AFFAIRS

REGULATORY AFFAIRS

CLOUD SOLUTIONS

ENGINEERING

- Systems
- Mechanical
- Industrial design
- Electrical
- Software



Financial and operational review **continued**

Intellectual property

Nanosonics recognises the importance of its Intellectual Property (IP) portfolio in maintaining its sustainable competitive advantage. During FY23 Nanosonics filed patent applications establishing five new utility patent families and four new design patent families. The subject matter protected by Nanosonics' IP portfolio helps protect trophon (capital equipment, consumables and accessories), new products (AuditPro and ecosystem products), as well as new product developments planned for commercialisation including CORIS®. Nanosonics has a dedicated IP function that manages its active program of IP development and third-party analysis to support the Company's strategic growth agenda.

Cash reserves

Despite our investments in an expanded team, accelerated R&D and resources for future growth, the Company has maintained a significant cash reserve. This cash reserve provides a significant degree of stability and allows the Company to continue to pursue its growth agenda. Our Board and management are actively engaged in reviewing our priorities, identifying opportunities for investment and ensuring that Nanosonics remains on track to deliver improved social and healthcare outcomes. This remains entirely consistent with building shareholder value through the best use of the Company's cash reserves.

BUSINESS OUTLOOK – FY24

Nanosonics is well positioned to continue to grow the trophon business, introduce the CORIS® technology as well as invest in its longer-term strategic growth agenda.

With a growing opportunity pipeline, it remains to be seen whether hospital budgetary pressures will impact the timing of trophon purchases.

Recognising the uncertainties, the Company targets for FY24 include¹:

- **Total revenue growth of 15-20%.**
 - Growing capital revenue with increased growth in both installed base and upgrade volumes over FY23;
 - Increasing consumables revenue aligned with growth in new installed base;
 - Maintaining current pricing levels; and
 - Increased service revenue.
- **Gross margin of between 75-77%.**
 - A change in sales mix compared with FY23, with an increase in the proportion of capital revenue resulting from growth in the sales of both new installed base and upgrade units, and an increase in service revenue; and
 - Increased trophon product COGS, as the Company sells off higher cost inventory due to a temporary increase in component costs associated with units manufactured during FY23.
- **Operating expenses to grow between 17-22% including investments in CORIS® commercialisation. Operating expenses include:**
 - Increases in investment to prepare for the commercialisation of CORIS®;
 - Ongoing investment in R&D with overall R&D expenditure reducing as a percentage of revenue in FY24;
 - Ongoing investment in emerging markets for trophon, including Japan and China; and
 - Costs associated with implementation of a new ERP system with the majority of the associated expenses expected to be incurred in FY24.

All guidance is subject to ongoing uncertainty in relation to hospital budgetary pressures as well as broader economic and geopolitical conditions.

Recognising the increasing global focus on infection prevention and the opportunities this presents for Nanosonics, the Company will also continue to work on identifying M&A opportunities to further expand its product portfolio.

BEYOND FY24

In addition to the targeted growth in FY24, beyond FY24 Nanosonics is targeting:

- Continued expansion of the trophon franchise across all regions, including growth in installed base, upgrades, and consumables/service.
- Europe and Middle East and Asia Pacific to become material contributors to the global trophon business.
- Ongoing expansion of the product portfolio with the global introduction of the new CORIS® endoscope reprocessing platform across multiple markets and broader indications. In addition, opportunities for strategic acquisitions will continue to be identified and assessed.
- Ongoing investment in R&D, infrastructure, people and capability to continue driving the Company's global growth strategy with the aim of establishing Nanosonics as a global leader in infection prevention.

1. The FY24 outlook assumes a USD/AUD rate of 0.70.

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Nanosonics is well positioned to continue to grow the trophon business as well as invest in its longer-term strategic growth agenda.

Our commitment to ESG

Dear Shareholders,

I am pleased to present the Company's FY23 Sustainability Report. As the CEO of our company, I am proud to share the significant progress we have made on our sustainability journey for an emerging ASX200 company. Our commitment to responsible business practices has led us to develop a robust and meaningful sustainability agenda that aligns with our core values and business objectives.

As explained in our Chairman/CEO's letter, we were also pleased to see the Company's expanding ESG agenda outlined in the FY23 Sustainability Report. We see Sustainability or ESG as being strongly aligned with our Mission and Purpose. It is not just related to our longer-term sustainable growth, but rather it is fundamental to having a sustainable, commercial business that adds value in the communities in which we operate. In that way integrating "sustainability" into all our business practices is critically important for all stakeholders including our customers. We continue to invest in this area in a number of important ways.

This year, we undertook an exercise to measure our carbon footprint. We look forward to evolving this activity to make our contributions in this important area as well as stay aligned with all stakeholders' expectations.

We also continued to engage, both internally and in the communities in which we operate, through a range of important initiatives such as internships, participation in the National Youth Science Forum, initiatives associated with mental health first aid, and NAIDOC week amongst others.

It was also pleasing to see our Board renewal process continue throughout the year. This has resulted in the proportion of female representation on the Board increasing from 29% in FY22 to 33% in FY23. The Company has announced the appointment of a new director in H1 FY24 which is anticipated to see the proportion of female representation on the Board increase further.

Importantly, we achieved a milestone in the IT area by achieving certification against ISO 27001 being an internationally recognised information security standard and we look forward to seeing our resiliency in this area continue to mature.

Overall, by innovating and manufacturing medical devices that meet unmet needs in the infection prevention field, we contribute to important public health outcomes in a way that would not otherwise be available to communities. As we grow, so does our impact in this regard. Sustainability is a core aspect of the trophon technology design. The only by-products after a disinfection cycle are environmentally-friendly oxygen and water. In many cases, use of the trophon technology eliminates the requirement for customers to use toxic chemistries and large quantities of water.

Looking ahead to FY24 and beyond, I am pleased to see additional and diverse targets in this area this year including around identifying climate change risks, establishing a set of targets for emissions reduction, redoubling in our efforts to identify, assess and combat any modern slavery risks, and the implementation of our first Reconciliation Action Plan.



Michael Kavanagh
CEO & President

"We see sustainability as a key consideration for our business, and one that is fully aligned with our Values and Mission. We are fortunate that our unique healthcare solutions are in many respects neatly aligned with sustainability principles, which means we achieve positive sustainability outcomes whilst addressing our customers' important infection control needs."

Michael Kavanagh | CEO



FOR MORE INFORMATION

See Nanosonics' 2023 Sustainability Report available at www.nanosonics.com/investor-centre/reports-and-presentations/

ESG at a glance



Launched
**Supplier Code
of Conduct**

Governance



Articulated Nanosonic's
contribution to the
**United Nations
Sustainable
Development Goals**



Strengthened
**IT, privacy and
cyber security
protections**
and achieved ISO
27001 accreditation



**55% of
total waste**
diverted to
recycling globally

Environment



**Progress made against
our commitment**
to working towards
Australian Packaging
Covenant Organisation
2025 target



**GHG
emissions initiative**
undertaken to improve measurements
of scope 1, 2 and 3 emissions. Results
compared favourably to benchmark



**93% of
employees**
strongly believe in the
purpose of Nanosonics

People & Culture



**Females
make up 45%**
of the global workforce,
40% of senior leaders and
41% of STEM-related positions



**Substantially
achieved**
our diversity objectives and
substantially all of our
inclusion objectives



\$37,822
raised through various
charitable initiatives

Communities



19 students
participated in internship
programs across
several departments



Widened the range
of community activities with more
to follow through the establishment
of the Community Engagement
Committee

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"I've been at RIH for eight years now. In that time, we've transitioned from reprocessing our probes with a chemical soak to implementing trophon technology – first with the trophon EPR device, and now with the trophon2. I love that we've been able to eliminate open chemicals! With a closed, automated system, I can hit the button, walk away and come back at the end of the cycle knowing it's clean and ready for the next patient."

Lynn Stebner | Section Head – Ultrasound,
Royal Inland Hospital | Interior Health





Protection by design

Risk recognition grows worldwide

The past year has seen a renewed focus on infection prevention in the United States, following the publication of new reports on treatment-resistant infections. A report on antimicrobial resistance released by the Centers for Disease Control and Prevention (CDC) found that drug-resistant pathogens caused a 15% increase in healthcare-associated infections and a similar increase in patient deaths in 2020¹. The CDC has also called for improved infection control practices to combat rising rates of *Candida auris*. *C. auris* spreads rapidly in healthcare settings through contact with contaminated surfaces or medical devices, causing serious infections. Rates of treatment-resistant *C. auris* infections increased three-fold from 2020 to 2021² and The World Health Organization has ranked *C. auris* in its critical priority group of fungi that pose the greatest concern for global public health³. The increased focus on infection prevention and control means more facilities are looking for effective, scalable infection prevention solutions.

In the United States, there is growing recognition of the complexities of reprocessing ultrasound devices used in percutaneous procedures. Recent publications have highlighted the infection prevention challenges in this broad area of medicine, where there are more than 140 needle-guided procedures that regularly employ ultrasound imaging⁴. Each of these procedures carries a different level of risk of contact between the ultrasound probe and the sterile needle or non-intact skin. Guidelines vary in their recommendations for reprocessing the ultrasound probes used in these procedures, highlighting the need for clinicians to be familiar with the Spaulding classification and be able to apply the appropriate level of disinfection.

Guidelines and standards continue to reinforce the importance of automated reprocessing technologies over manual methods, following the legal requirement in Germany for reprocessing of semi-critical devices to be validated⁵. In the past year, the French Society for Hospital Hygiene, SF2H, published new guidance stating that automated disinfection technologies are preferred over manual processes⁶. This joins similar preferences in guidelines from healthcare authorities in Europe, the United Kingdom, the United States, Australia and New Zealand.

trophon – unrivalled HLD efficacy

The body of evidence demonstrating trophon technology efficacy continues to set the standard in automated high-level disinfection (HLD). As the only automated technology with both FDA classification and CE-Mark registration, the trophon technology represents the global standard of care.

The trophon device delivers effective HLD by generating a 'sonically-activated' hydrogen peroxide (H_2O_2) mist which penetrate, even shadowed areas formed by crevices, grooves and imperfections on the probe surface.

- Centers for Disease Control and Prevention, 2022. COVID-19 U.S. Impact on Antimicrobial Resistance: Special Report.
- Lyman, M et al. Worsening Spread of *Candida auris* in the United States, 2019 to 2021. *Ann Intern Med* 2023; 146:489-495.
- World Health Organization, 2022. WHO Fungal Priority Pathogens List.
- Waldowski L, Spencer M, Edmiston C, Paro S. Ultrasound in Percutaneous Procedures: One Size Does Not Fit All for Reprocessing. Available at: <https://www.infectioncontrolday.com/view/ultrasound-percutaneous-procedures-one-size-does-not-fit-all-reprocessing>
- AGMP, BfArM, RKI. Validation of the final disinfection of semi-critical medical devices using wipe disinfection. Available at: https://www.rki.de/DE/Content/Infekt/Krankenhaushygiene/Aufb_MedProd/Validierung-Desinf-semikrit-MedProd.html.
- French Society for Hospital Hygiene (SF2H), 2022. Guide de bonnes pratiques de traitement des dispositifs médicaux réutilisables.

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The trophon technology has demonstrated microbial efficacy against the widest range of clinically relevant pathogens, including bacterial endospores, mycobacteria, fungi, vegetative bacteria and virus. This efficacy spectrum includes multi-drug resistant bacteria, blood borne viruses (Hepatitis B, HIV) and sexually transmitted infections such as chlamydia, gonorrhoea and human papillomavirus (HPV).

Industry-leading trophon probe compatibility program

Nanosonics is continuing the collaboration with all major and several specialised ultrasound probe manufacturers to ensure that their probes are tested, approved, and endorsed for use with trophon devices. In the past year, the compatibility list grew to over 1,300 ultrasound probes across 26 Original Equipment Manufacturers (OEM). These numbers position Nanosonics as the industry leader in scientifically proven probe compatibility.

The rigorous trophon Probe Compatibility Program ensures that each probe is exposed to thousands of trophon cycles, then functionally tested and approved by OEMs before listing in the trophon compatibility database.

Wireless ultrasound probes are becoming increasingly popular. While wireless ultrasound probes are less likely to be used in procedures requiring HLD, it is nevertheless important that our customers have the option to ensure wireless probes can be appropriately reprocessed. The innovative trophon Wireless Ultrasound Probe Holder enables wireless probes to be effectively disinfected using the trophon device, offering the first and only automated HLD solution for this probe category on the market.

Consistent protection for every patient

Automated HLD continues to be recognised as best practice worldwide for semi-critical probes and critical probes that cannot be sterilised, reducing the risk of cross-contamination between patients and allowing facilities to standardise best practice infection prevention for their patients.

Designed with the user and their workflow needs in mind, trophon2 devices guide the user through the required steps of preparing, disinfecting, storing and tracing probes throughout the reprocessing workflow. The trophon2 device offers an integrated point of care workflow that automates the disinfection and traceability process that provides 'hands-off' time between procedures to focus on other elements of patient care.

The trophon portfolio offers a series of consumable and accessory products to provide a total ultrasound probe reprocessing solution. These include cleaning and drying wipes to prepare the probe before the HLD process, specialised clean probe covers to provide effective probe storage between patient use, and connectivity solutions and services to facilitate automated disinfection record management.

Sustainable and safe-to-use HLD

The trophon technology achieves effective HLD without damaging the sensitive probe or exposing patients, staff and the environment to dangerous chemicals – the 'sonically-activated' hydrogen peroxide (H_2O_2) mist is broken down by the trophon device to environmentally friendly oxygen and water after each HLD cycle.

As an enclosed system, the trophon device can be safely placed in the examination room next to the ultrasound console, further maximising patient throughput and clinical workflow efficiencies.



“We were previously using soaking methods for the high-level disinfection (HLD) of our ultrasound probes – sometimes 20 reprocessing cycles each day. We had heard about trophon devices several years back, but at the time didn’t have enough information for a direct comparison to current practices, and we weren’t sure if it would be cost-effective. When we met with the Nanosonics’ team and worked through the benefits of trophon technology for HLD, we realised there are other benefits just as important as cost savings that our team would see. We decided to do a trial with the trophon2 device at the Hys Centre, before then launching to other facilities.”

Carrie Lafond | MRT(NM), MBA, | Site Manager, Hys Medical Centre



Standardising ultrasound infection prevention practices



Delivering a new standard in ultrasound infection control management

trophon technology revolutionised high-level disinfection around the world. Now facilities can take the next step by combining the Nanosonics AuditPro system with trophon2 for complete end-to-end automated digital ultrasound probe compliance and traceability to safeguard patients, staff and facilities.

Many national infection control standards and guidelines across the world require facilities to collect reprocessing cycle information, medical device identifiers, procedure information and patient details to demonstrate that semi-critical and critical devices have been appropriately high-level disinfected between patients ¹⁻⁸.

Legacy methods to capture the required information are manual, time-consuming and risk human error. Digitisation of health systems is driving adoption of automation to improve accuracy and efficiency, benefitting clinical workflows and enabling quick and confident retrieval of records to support positive audit outcomes.

Digital automation driving standardisation

Nanosonics AuditPro equips facilities to efficiently monitor ultrasound infection prevention practices, driving increased compliance to Standard Operating Procedures (SOP) to better protect patients, staff and organisations for every ultrasound procedure.

The digital system provides end-to-end automated data traceability and efficient infection control compliance management for ultrasound probe infection prevention. Facilities can optionally implement built-in education as part of the clinical workflow, where each procedure is qualified against the Spaulding classification to standardise the infection prevention decision across multiple operators, departments and facility sites every time. Powered by trophon AcuTrace® technology, facilities can, for the first time, have complete data visibility across patients, probes, clinical procedures and reprocessing records, and replace cumbersome paper logbooks with an efficient digital equivalent.

Product detail

AuditPro intelligently links reprocessing workflow data from trophon2 with probe and patient procedure identifiers in real-time to deliver:

- A searchable digital logbook; and
- Infection control dashboards, with insights to guide decision-making.

1. AAMI ST58:2013 Chemical sterilization and high-level disinfection in health care facilities.
2. Association of periOperative Registered Nurses (AORN). High-Level Disinfection. AORN Guidelines for perioperative practice. Online: AORN, Inc; 2018.
3. Canadian Standards Association (CSA) (2018). CAN/CSA-Z314-18 Canadian medical device reprocessing.
4. AS/NZS 4187:2014 Cleaning, disinfecting and sterilizing reusable medical and surgical instruments and equipment, and maintenance of associated environments in health care facilities.
5. Kommission für Krankenhaushygiene und Infektionsprävention (KRINKO) 2012. Anforderungen an die Hygiene bei der Aufbereitung von Medizinprodukten. Bundesgesundheitsblatt – Gesundheitsforschung – Gesundheitsschutz: 66.
6. Health Service Executive (HSE) Quality Improvement Division (2017). HSE Guidance for Decontamination of Semi-critical Ultrasound Probes; Semi-invasive and Noninvasive Ultrasound Probes. Document: QPSD-GL-028-1.
7. European Society of Radiology (ESR) 2017. Infection prevention and control in ultrasound – best practice recommendations from the European Society of Radiology Ultrasound Working Group.
8. Society and College of Radiographers and British Medical Ultrasound Society 2021. Guidelines for Professional Ultrasound Practice.

CORIS[®]

Transforming the cleaning of flexible endoscopes

Our Next Instrument Reprocessing Product Platform

Endoscope reprocessing – an established global practice

Reusable flexible endoscopes are highly sophisticated medical devices designed to enable advanced diagnostic and therapeutic interventions to diagnose and treat cancers and other life-threatening conditions. They incorporate advanced technology that gives physicians a sophisticated level of control in carrying out complex, minimally-invasive procedures and navigating challenging anatomical situations to deliver the highest level of patient care. There are a significant and growing number of endoscopy procedures performed – for example, over 22 million gastro-intestinal (GI) endoscopy procedures were completed in the US in 2015¹.

Endoscopes require cleaning and disinfection (reprocessing) after every use, and many countries have strong standards and well-established fundamentals to support appropriate reprocessing.

Large variety of endoscopes...



COLONOSCOPY



GASTROSCOPY



DUODENOSCOPY



ENTEROSCOPY



ENDOSCOPIC
ULTRASOUND



BRONCHOSCOPY



UROLOGY



E.N.T.

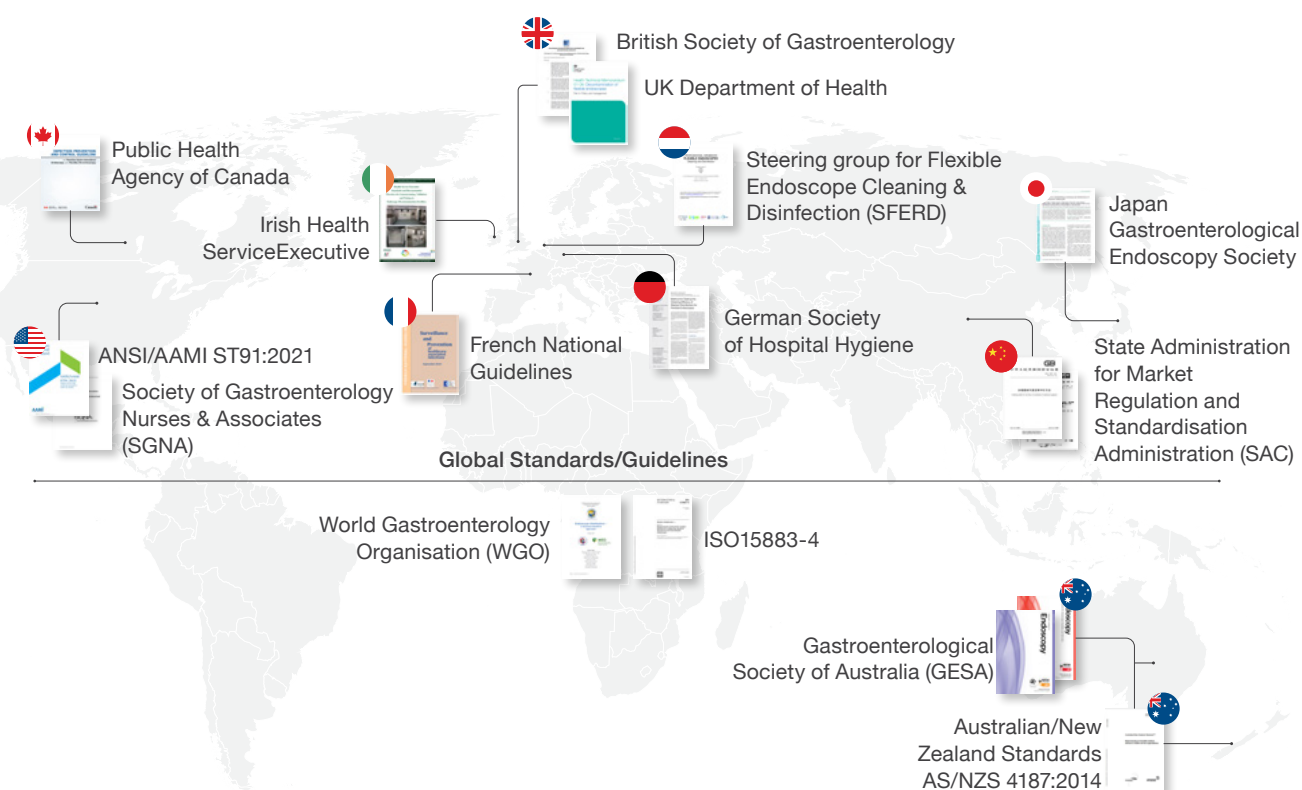


GYNAECOLOGY

1. Peery, A. F. et al. Burden and Cost of Gastrointestinal, Liver, Pancreatic Diseases in the United States: Update 2018, Gastroenterology 156, 254 -272.e11 (2019).

CORIS® continued

...with strong fundamentals and standards for reprocessing



Manual cleaning is the current gold standard – successful reprocessing relies on manual brushing and flushing to ensure that debris, residues and biofilms are lifted from all parts of the endoscope, both external and internal, so that disinfecting agents can be effective.



“Meticulous cleaning must precede any sterilization or high-level disinfection of these instruments... Failure to perform good cleaning can result in sterilization or disinfection failure, and outbreaks of infection can occur.”

Rutala, W. A., Weber, D. J. & Healthcare Infection Control Practices Advisory Committee. Guideline for Disinfection and Sterilization in Healthcare Facilities, 2008. <https://www.cdc.gov/infectioncontrol/pdf/guidelines/disinfection-guidelines-H.pdf> (2019)

Adverse event reports relating to endoscope reprocessing continue to climb, with manual cleaning a root cause

Endoscope contamination adverse events are on the rise

Reusable endoscopes have been associated with infections and reprocessing failures across all endoscope types, with GI endoscopes and bronchoscopes being associated with far more outbreaks of infections than any other reusable medical or surgical device in healthcare^{1,2}. A study of over 15,000 adverse event reports involving endoscope contamination showed an increase in events across all endoscope types, and also showed gastroscopes as having the largest increase in adverse events versus all other studied types, including duodenoscopes³.

The link between inadequate cleaning and subsequent contamination is well documented in the literature with over 200+ articles published over the last decade involving contamination, cleaning failure or infections relating to endoscopes.

1. Rutala, W. A. & Weber, D. J. Reprocessing semicritical items: Outbreaks and current issues. *Am J Infect Control* 47, A79–A89 (2019).
2. Grein, J. D. & Murthy, R. K. New Developments in the Prevention of Gastrointestinal Scope-Related Infections. *Infect Dis Clin N Am* 32, 899–913 (2018).
3. Data extracted from: Muscarella 2022. Contamination of Flexible Endoscopes and Associated Infections: A Comprehensive Review and Analysis of FDA Adverse Event Reports web article <https://www.lim-hcs.com/2022/01/contamination-of-flexible-endoscopes-and-associated-infections/> (2022).

CORIS® continued

Manual cleaning is complex and problematic



Manual cleaning of endoscopes is a highly complex process – endoscope manufacturer's Instructions for Use (IFU) can contain around 100-300 reprocessing steps, it requires a large amount of technical skill and concentration which can be challenging¹, training and accreditation is time consuming, and it is rated as the most challenging aspect of endoscope reprocessing¹. Endoscopy reprocessing staff experience discomfort and pain from leaning over sinks, scrubbing endoscopes, and standing for long hours¹.

Manual cleaning isn't performed consistently – a 2021 evidence-based review documented serious issues in the reprocessing of endoscopes, including insufficient manual cleaning (reported in 50% of the studies) and the complete neglect of channel brushing (reported in 17% of the studies)², and a prospective observational study from 2010 showed that less than half of endoscopes had all components brushed correctly³.

Critically, manual cleaning cannot be used for air/water and auxiliary channels which are typically very narrow (e.g. 1-2.5mm in diameter) and very long (>3.6m in length).

CORIS® - The new gold standard in endoscope cleaning



The CORIS® device represents the new standard of care for the cleaning of reusable endoscopes. The CORIS® technology uses a patented mode of action with the proprietary CORIS QUANTUM® cleaning agent to deliver a solution superior to manual cleaning that is capable of cleaning all endoscope channels, including the smallest that are currently too small to clean by manual brushing. The CORIS® device is also an automated solution that minimises the manual intervention required by operators that leads to workplace injuries and controls the cleaning process to ensure repeatable and traceable real-world results.

CORIS® technology far surpasses cleaning benchmarks recognised by regulators, and cleaning efficacy has been shown to far surpass manual cleaning. For example, Cyclic Build-up Biofilm (CBB) is a very challenging biofilm that involves repeated contamination and fixing of bacteria with strong glutaraldehyde disinfectant⁴. CORIS® technology has been shown to be significantly more effective at removing CBB from suction-biopsy and air-water channels compared to manual cleaning conducted in strict accordance with the scope manufacturer's Instructions for Use⁵.

1. Sivek, A.D. et al. Healthcare worker feedback on duodenoscope reprocessing workflow and ergonomics. *Am J Infect Control* 50, 1038-1048 (2022).
2. Madurereia, R.A. da S & Oliveira, A.C. de. Endoscopic processing: what are the gaps in clinical practice? *Rev. Eletr. Enferm* 66550, 1-13 (2021).
3. Ofstead, C.L., Welzler, H.P., Snyder, A.K. & Horton, R.A. Endoscope reprocessing methods. *Gastroenterol Nurs* 33, 304-311 (2010).
4. Zhong W, Alfa M, Zelenitsky S, Howie R, Simulation of cyclic reprocessing build up on reused medical devices. *Comput Biol Med.* 2009 Jun;39(6): 568-77.
5. Data on file.

CORIS® continued

CORIS® represents a significant global opportunity

The potential to address the challenges of contaminated endoscopes represents a significant opportunity for Nanosonics in a market with over 60 million flexible endoscopy procedures per annum being conducted across major Western markets, including the United States, Canada, Australia and key European markets. These markets are growing over 6% every year, driven by factors such as the aging population, increasing incidence of colorectal cancer and various national-level screening programs¹. Similar to trophon (which comprises a range of business models), the CORIS® platform will include capital equipment together with an annuity revenue stream associated with consumables used for every cleaning cycle.

Studies have shown that the cost of the full manual cleaning stage for a single flexible endoscope today can be between US\$11 – \$37.1². The CORIS® device aims to automate a significant proportion of the current manual cleaning process, including complex channel cleaning and deliver a new standard of care for endoscope cleaning. The CORIS® device is being designed as a global solution ultimately to be used across all channelled flexible endoscope types.

Expensive and ineffective current standard of care

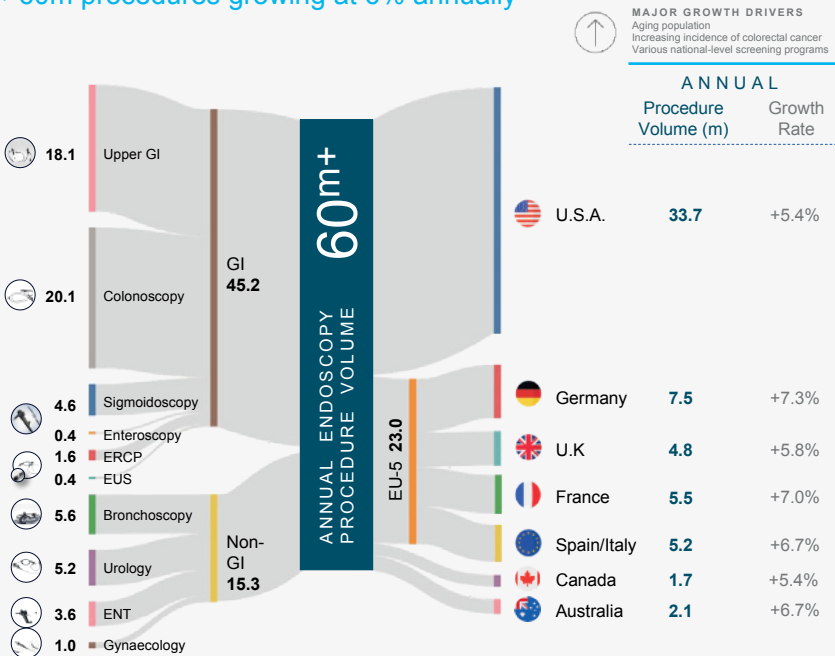
Example: Total cost to manually clean a single GI endoscope[#]



CORIS® aims to automate a significant proportion of the current manual cleaning, including complex channel cleaning, and deliver significantly superior outcomes compared to what can be achieved today.

References on file; available upon request.

An established and growing market
>60m procedures growing at 6% annually[#]



CORIS® – readying for submission

Regulatory requirements vary across the world. For the United States, Nanosonics CORIS® technology has been accepted into the FDA Safer Technologies Program (STeP) – products accepted into this program are reasonably expected to significantly improve the safety of currently available treatments. SteP provides support into a de novo regulatory pathway that allows this novel technology to potentially establish a new benchmark and create an entirely new category for endoscope cleaning. Nanosonics is also progressing plans for regulatory approvals in Europe and Australia.

Regulatory approval and market acceptance requires clinical data – preliminary efficacy data has now been publicly released at the June 2023 American Association for Professionals in Infection Control and Epidemiology (APIC) conference¹, and a schedule of conference presentations over FY24 is planned as more data becomes available. Central to regulatory approval is the CORIS® device In-Use Clinical study – planning is well advanced for a start in an Australian 1,000 bed tertiary teaching hospital, with a view to support the FDA de novo submission during FY24³.

1. References on file; available on request.
2. Ofstead, C.L., Quick, M.R., Eiland, J.E. and Adams, S.J., 2017. A glimpse at the true cost of reprocessing endoscopes. International Association of Healthcare Central Service Material Management.
3. All reasearch and new product development programs involve inherent risks and uncertainties which can impact commercialisation timelines.

The Board

1

Steven Sargent

BBus, FAICD, FTSE

Non-executive Director
and Chairman

Mr Sargent joined the Nanosonics Board in July 2016 and was appointed Chairman in July 2022, having previously been Deputy Chairman and Lead Independent Director. He had a 22-year career with General Electric and has extensive global experience across a range of industries, including financial services and healthcare. He was Vice President and Officer of GE, a member of GE's Corporate Executive Council and CEO of GE Australia NZ. Mr Sargent is currently a Director of Origin Energy (ASX:ORG), Ramsay Healthcare Limited (ASX:RHK) and a Director of the Great Barrier Reef Foundation and Chairman of the Origin Foundation. Previously, Mr Sargent was a Director of OFX Limited (ASX:OFX), a Director of Veda Group, a Director of Bond University, and a Director of the Business Council of Australia.

2

Geoff Wilson

AICD, BCom, ICCA, CPA, US CPA

Non-executive Director

Mr Wilson joined the Board in July 2019. He has a breadth of local and international executive leadership and director experience together spanning more than 37 years, including many years with KPMG in Australia, Hong Kong and the USA. He has a strong background in finance, audit and risk management, as well as in the Asia Pacific markets. Mr Wilson is currently a Director of TOLL Holdings Limited, HSBC Bank Australia Limited, Future Generation Global Investment Company Limited (ASX:FGG), ipSCAPE, and Sydney Symphony Limited. He is also an Ambassador for the Australian Indigenous Education Foundation.

3

Lisa McIntyre

BSc (Hons), PhD

Non-executive Director

Dr McIntyre joined the Nanosonics Board in November 2019. Her executive background is in strategy, particularly in the areas of medical technology and healthcare, with many years as a partner at L.E.K. Consulting in the US and Australia, where she led the Asia Pacific Health practice. Dr. McIntyre was a Director of the Garvan Institute of Medical Research for 12 years and is a Senate Fellow of the University of Sydney. She is currently a Non-executive Director of Fisher & Paykel Healthcare Corporation Limited, HCF Group, HCF Life, HCF Foundation, and Studiosity Pty Ltd.



4

Michael Kavanagh

BSc, MBA (Advanced)

**CEO & President and
Managing Director**

Mr Kavanagh joined Nanosonics as CEO and President effective October 2013. He was a Non-executive Director of the Board from July 2012 to October 2013. Mr Kavanagh has more than 29 years of international commercial experience in the healthcare market, having held local, regional and global roles in medical device and pharmaceutical industries. Before joining Nanosonics, he was Senior Vice President of Global Marketing for the major medical device company Cochlear Ltd, a position he held for more than 10 years. In the last three years Mr Kavanagh has held no other directorships.

5

Marie McDonald

BSc (Hons), LLB (Hons)

Non-executive Director

Ms McDonald joined the Nanosonics Board in October 2016, bringing with her a strong background in corporate and commercial law, having practiced for many years as a partner at Ashurst. Ms McDonald was Chair of the Corporations Committee of the Business Law Section of the Law Council of Australia (2012 to 2013) and was a member of the Australian Takeovers Panel from 2001 to 2010. Ms McDonald is currently a Non-executive Director of CSL Limited (ASX:CSL), Nufarm Limited (ASX:NUF), and the Walter and Eliza Hall Institute of Medical Research.

6

David Fisher

BRurSc (Hons), MAppFin, PhD, FFin, GAICD

Non-executive Director

Dr Fisher has been a member of the Board since July 2001. He is a founding partner of Brandon Capital Partners, a leading Australian venture capital provider. Dr Fisher has more than 35 years' extensive operating experience in the biotechnology and healthcare industry in Australia and overseas. He held senior positions with Pharmacia AB (now part of Pfizer, Inc) and was CEO of Peptech Limited (now part of Cephalon Inc, (Nasdaq:CEPH). He has not held any directorships of other listed companies in the last three years.



The Executive Team



Michael Kavanagh

BSc, MBA (Advanced)

CEO & President and Managing Director

Michael joined Nanosonics as CEO and President effective October 2013. He was a Non-executive Director of the Board from July 2012 to October 2013. Michael has more than 29 years of international commercial experience in the healthcare market, having held local, regional and global roles in medical device and pharmaceutical industries. Before joining Nanosonics he was Senior Vice President of Global Marketing for the major medical device company Cochlear Ltd, a position he held for more than 10 years.



McGregor Grant

BEC, CA, GAICD, FGIA, FCIS

Chief Financial Officer and Company Secretary

McGregor joined Nanosonics in April 2011. He is responsible for the overall financial management of the Company and also serves as the Company Secretary. McGregor has more than 25 years' experience in a number of senior roles in the medical device and healthcare industries located in Australia and the United States, and previously worked for Coopers & Lybrand (now PwC) in Australia and Europe.



Steven Farrugia

BE, PhD

Chief Technology Officer

Steven joined Nanosonics as Senior Vice President, Design and Development, in September 2016 and was appointed to the role of CTO in February 2018. He has over 30 years' experience leading the development of medical devices, and is the investor of almost 300 granted and pending patents. Prior to Nanosonics, Steven held a range of senior executive roles with ResMed. Steven has served as an Adjunct Professor of Engineering at the University of Sydney and actively participated in various advisory committees dedicated to advancing biomedical engineering, STEM education and manufacturing in Australia.



Matthew Lipscombe

MBA, BSc, BE

Chief Marketing Officer

Matthew joined Nanosonics in April 2022. He has over 20 years of experience in strategic marketing and product management in medical device, high technology and consulting fields across the full product development cycle. Prior to Nanosonics, Matthew held a range of strategic executive roles, including Global Director of Portfolio Strategy & Planning at Cochlear, R&D management at ResMed and Founder-CEO of an enterprise SaaS startup.



Jodi Sampson

MBA (Exec), CPHR

Chief People and Culture Officer

Jodi joined Nanosonics in April 2020. Jodi is an experienced human resources professional who has contributed to strategy, culture and business transformation at an executive level in the finance, telco and IT industries. Most recently, Jodi was Head of Human Resources with the Eclix Group. She has also led international human resource functions as HR Director for Samsung and Head of Human Resources, Asia Pacific at Orange Business Services.



Ken Shaw

BSc Finance

Regional President for North America

Ken joined Nanosonics in September 2017 as Regional President for the United States, Canada and Latin America. He has more than 25 years' experience in the healthcare, medical devices and consumer products industries, with a specific focus on infection prevention products. Most recently, Ken was the President for Amoena GmbH and prior to that he held senior management roles at Essity, Medcom, Energizer and Pfizer.



David Morris

Bus, BAppSc, GAICD

Chief Strategy Officer and Regional President Asia Pacific

David joined Nanosonics in February 2019. David has more than 25 years of executive leadership, international business development, and strategy experience. David was Chief Executive Officer and Managing Director at the Monash IVF Group, and prior to that he was an Executive at Cochlear Limited, where he was the Chief Strategy Officer, and the President of Bone Anchored Solutions. Prior to joining Cochlear Limited, David worked at Accenture in their Strategy practice.



Rod Lopez

MBA, BEng (Hons), GAICD

Chief Operating Officer

Rod joined Nanosonics in April 2019. He is an international operations executive with over 20 years of experience, having held critical roles in companies such as Cochlear and GM Holden. During his 13-year tenure at Cochlear, Rod held roles such as Global Head of Manufacturing and Chair of the Operational Excellence Strategy Group. At GM Holden, Rod held senior management roles across operations global customer liaison. Rod is a member of the NSW Innovation and Productivity Council and also an award-winning academic with continuing Adjunct Faculty appointments for over 15 years with MGSM, AGSM and the University of Sydney Business School.



Matthew Carbines

LLB, BCom

General Counsel

Matt joined Nanosonics in August 2017 and was appointed to the Executive Team in October 2021. Matt is responsible for all legal matters across the Nanosonics Group and supports the Company Secretary on corporate governance matters. Prior to joining Nanosonics, Matt held a variety of senior legal roles in Australia and abroad, with a focus on technology and healthcare. Immediately prior to joining Nanosonics, Matt served as General Counsel for an international software business based in London. Matt is a member of the Australian Institute of Company Directors, and the Governance Institute of Australia.



Ronan Wright

BSc, Bus Management, BEng

Regional President for Europe and Middle East

Ronan joined Nanosonics in September 2019 and is responsible for Nanosonics' continued expansion across Europe and the Middle East. He has more than 20 years' experience in infection prevention through senior sales, management and business development roles with Advanced Sterilization Products and Wassenburg Medical, a global leader in endoscope reprocessing. Most recently, Ronan was the Vice President of Global Sales and a Board member at Wassenburg Medical, where he had also served as Managing Director for Ireland and Director of Business Development for EMEA.



Sunny Pillai

MBA, BEng(Hons)

Chief Information Officer

Sunny joined Nanosonics as CIO in November 2022. He has more than 25 years' experience in Information Technology in diverse sectors such as medical device, telco and insurance, with a specific focus on Digital Transformation and Data Engineering platforms. Prior to Nanosonics, Sunny held senior management roles with Resmed, including Head of Finance Systems and Senior Director of Product Innovation.

Directors' report

Your Directors submit their report together with the Consolidated Financial Report of Nanosonics Limited and its subsidiaries (the Group or Nanosonics), for the year ended 30 June 2023, and the Auditor's Report thereon.

Principal activities

During the year the principal activities of the Group consisted of:

- Manufacturing and distribution of the trophon® ultrasound probe disinfectant and its associated consumables and accessories; and
- Research, development and commercialisation of infection control and decontamination products and related technologies.

There have been no significant changes in the nature of these activities during the year.

Review of operations and financial results

A review of operations and financial position of the Group and its business strategies and prospects is set out in the Financial and Operational Review on pages 8 to 19 of this Annual Report.

Material business risks

Nanosonics has a risk management framework to identify, assess and appropriately manage risks. Details of the risk management framework are set out in the 2023 Corporate Governance Statement, which is available on the Company's website. Nanosonics' material business risks and how they are addressed are outlined below. These are risks that may materially adversely affect the Group's business strategy, financial position or future performance. It is not possible to identify every risk that could affect the Group's business, and the actions taken to mitigate these risks cannot provide absolute assurance that risk will not materialise. Other risks besides those detailed below or in the financial statements could also adversely affect Nanosonics' business and operations. Accordingly, the material business risks below should not be considered an exhaustive list of potential risks that may affect Nanosonics.

Risk	Description and potential consequences	Strategies used by Nanosonics to mitigate the risk
Foreign exchange	The Group is exposed to foreign currency risk particularly USD/AUD exchange rates and credit risk in light of the international nature of its operations.	The management of these risks is guided by the Group's internal financial risk management policy. The Company seeks external advice, as appropriate. Further information is available in Note 8 to the financial statements. In addition, the Company has growth plans in a range of different markets which should reduce the dependency on the US market over time.
Restrictions on hospital budgets	Nanosonics recognises that financial pressures caused by the macroeconomic environment can impact the availability of hospital capital budgets in a financial year. This may impact the timing of customers' purchases of the Group's products and services in all markets, and/or result in a delay in a patient undergoing a given procedure.	To address this risk, Nanosonics employs a range of sales models and techniques to ensure that the customers' needs and the financial pressures they face are considered. Further, the Group has an active program to manage its operating expenses and ensure the appropriate balance is maintained between investing for longer-term outcomes as well as profitability.
Research & development and commercialisation	Nanosonics currently has a platform technology, trophon, and plans to launch a second platform technology, CORIS®. The Company recognises the need to expand its product portfolio by creating new products. Development and subsequent commercialisation of any new product requires a significant amount of investment (time, money and resource commitment). Further, all research and new product development programs involve inherent risks and uncertainties which can impact commercialisation timelines. New products are also likely to require a range of regulatory approvals and significant investment in the relevant commercial launch plans.	To manage these risks, the Company has a clearly defined framework to support the processes covering product ideation, development and subsequent commercialisation and has made the development of additional technologies a key strategic priority supported with an appropriate level of investment. Nanosonics also engages with its customers and a range of experts in relevant fields to determine the focus of its R&D efforts. In addition, Nanosonics also benefits from a strong balance sheet which may be useful in executing on potential M&A opportunities. The Company also actively explores partnerships with third parties to explore their product offerings using Nanosonics' sales channels.

Directors' report

Risk	Description and potential consequences	Strategies used by Nanosonics to mitigate the risk
Competition – trophon	The potential for increased competition exposes Nanosonics to the risk of losing existing and new market share. Nanosonics is also exposed to the risk of medical and technological advancement by competitors where alternative products or methods are developed and commercialised that will impact the rate of adoption of trophon2, cause trophon2 to lose market share, or render trophon2 obsolete.	To address this risk, the Company has invested in R&D for the second generation of trophon, trophon2, and continues to invest in the trophon product roadmap for further iterations of trophon. trophon2 is now sold in many key markets, and regulatory approvals continue to be obtained in new markets. Further, the Company actively upgrades its first generation trophon EPR fleet to trophon2 units at the appropriate time which helps to retain its existing installed base of trophon units in key markets. For those markets where competition exists, upgrade sales continue to grow strongly. The Company also invests in its relationships with ultrasound OEMs, including its probe compatibility program, and considering product development opportunities.
Intellectual Property	The Company relies heavily on its ability to maintain and protect its intellectual property (IP), including registered and unregistered IP. Nanosonics recognises the potential risk of litigation for alleged infringement by Nanosonics, the need to prosecute third party infringers of Nanosonics' IP, the expiry of Nanosonics' registered IP, and the risk of being unable to register the underlying subject matter or processes in any new products.	Nanosonics seeks appropriate patent, design and trademark protection and manages any identified IP risks. Nanosonics also recognises the significant value in unregistered IP. Along with internal personnel to manage IP opportunity and risk, Nanosonics works closely with specialists and advisors internationally to monitor and manage its IP portfolio, opportunities and risks. The trophon, for example, is covered by 14 patent families. Most have a significant period remaining in their term, including patents relating to the consumables which do not expire until 2031. Additional patents have been filed in respect of trophon2, AuditPro™ and the new CORIS® platform. The Group has a dedicated IP function and an active program to continue to protect the IP in its technology, having regard to its commercial strategy as well as defensive purposes, as well as maintain other barriers to entry. Nanosonics ensures that its projects, products and related activities include an appropriate assessment of any third-party IP profile against its own IP profile.
Supply chain	The Group is highly aware of managing risks in the supply chain, particularly its dependence on critical suppliers for the supply of key materials which carries the risk of delay and disruption. Certain materials are available from sole suppliers and regulatory requirements could make substitution costly and time-consuming.	The Group regularly monitors its suppliers and their performance and seeks to enter into agreements, where appropriate, to mitigate any supply risk. Inventories are managed in sufficient quantities to ensure continued product supply in the short term. The Company has managed the disruptions that have impacted its global supply chain for its main products arising from COVID-19 and this risk continues to be actively managed.
Regulation	The Group operates in a highly regulated industry. Medical devices are subject to strict regulations of various regulatory bodies where the products are sold. Regulatory bodies perform regular audits of Nanosonics' manufacturing sites, as well as its third-party suppliers, and failure to satisfy regulatory requirements presents significant risks, including potentially compromising the Company's ability to sell products and/ or result in an adverse event such as a product recall.	The Group has a highly developed worldwide Quality Management System to manage this risk and invests in suitably qualified personnel to oversee the implementation of that system. Nanosonics monitors the changing regulatory landscape in the countries in which it operates and ensures that its operations adjust to any changes which apply to it. The business is also subject to annual regulatory audits from key regulators.

Directors' report

Risk	Description and potential consequences	Strategies used by Nanosonics to mitigate the risk
Product liability	The Company recognises the risk that its products (or their use) may cause damage to a third party given the nature of the product and the industry the Company operates in.	The Group operates a compliant Quality Management System across all aspects of the design, manufacture and release of products to market. The Group also has product liability insurance in place.
Personnel	Nanosonics recognises that providing a safe and rewarding working environment is critical to its sustainability. Further, the Company operates in a competitive market in relation to attracting, recruiting and retaining key talent, including scientific, medical device regulatory, and engineering talent. There is also a risk that increased competition for talent may impact talent retention. During the year the Company has transitioned the majority of its personnel globally from work from home arrangements to a hybrid working approach.	The Company has programs in place for WHS, and the attraction, recruitment and retention of talent. The Company has global headquarters in Macquarie Park which is expected to support its growing Australia based team to work more effectively for the foreseeable future. The Company's WHS and people policies have been updated to address COVID-19 related matters, including supporting mental health, work from home and return to work arrangements. The Company is also enhancing its programs for attracting, recruiting and retaining talent in the current environment.
Cyber security	Nanosonics recognises the risks associated with cyber security and the potential impact on the Company's operations. A cyber security incident could lead to a breach of privacy, loss of and/or corruption of commercially sensitive data, and/or a disruption of critical business processes. This may adversely impact customers and the Company's business activities and cause significant reputational damage. The Company also recognises the need to ensure operations can continue in the event of a disaster impacting its critical IT systems.	Nanosonics obtained the ISO27001 accreditation in 2022. The organisation has continued to strengthen its security posture via additional measures and controls. We have invested in new leadership capability with a CIO appointment and Cyber Security specialists to support Nanosonics through this journey.

Significant changes in the state of affairs

In the opinion of the Directors, other than the matters described above and in the Financial and Operational Review on pages 8 to 19 of this Annual Report, there were no significant changes in the state of affairs of the Group during the financial year under review and to the date of this report.

Dividends – Nanosonics Limited

The directors do not recommend the payment of a dividend for the financial year ended 30 June 2023. No dividends were proposed, declared, or paid during the financial year (2022: Nil).

The Board reviews the dividend policy regularly. The Company's dividend policy in the future will depend upon the profitability and the financial position and the capital allocation priorities of the Group at the relevant time.

Matters subsequent to the end of the financial year

On 18 August 2023, the Company issued 41,540 shares at \$4.02 per share for a total of \$166,991 under the Global Employee Share Plan (GESP).

No other matters or circumstances have arisen since 30 June 2023 that have significantly affected, or may significantly affect:

- The Group's operations in future financial years;
- The results of those operations in future financial years; and
- The Group's state of affairs in future financial years.

Likely developments and expected results of operations

Comments on expected results of the operations of the Group and business outlook are included in the Financial and Operational Review on pages 8 to 19 of this Annual Report.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this Annual Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Directors' report

Environmental regulation

The Group is subject to statutory environmental regulations. The Board believes that the Group has adequate processes in place to manage its environmental regulatory obligations and is not aware of any breach of those environmental regulations as they apply to the Group.

Directors and Company Secretary

During the year and to the date of this report, the Board of Nanosonics Limited comprised Steven Sargent, Geoff Wilson, David Fisher, Marie McDonald, Lisa McIntyre, and Michael Kavanagh.

Mr Maurie Stang stepped down as Chairman on 1 July 2022 and assumed the role of Deputy Chairman. He subsequently retired from the Board at the AGM on 18 November 2022. Mr Sargent was elected by the Board as Independent Chairman and assumed this position on 1 July 2022.

During the year, McGregor Grant has been the Company Secretary. On 12 May 2023, the Company announced Mr Grant's resignation. He will continue as Company Secretary until 31 August 2023.

Mr Matthew Carbines, General Counsel was appointed as a Company Secretary effective 12 May 2023.

Information on the Directors, Company Secretary and the executive team is a part of the Directors' report and can be found on pages 30 to 33 of the Annual Report.

As at the date of this report, Nanosonics Limited has the following committees of the Board: Audit and Risk, Nomination, Remuneration, People and Culture, and R&D and Innovation. The Board establishes ad hoc committees focused on specific topics as required. Details of members of the committees of the Board are included below and on page 44 of the Remuneration Report.

Meetings of Directors

The number of Directors' meetings, including meetings of the Committees, held during the year ended 30 June 2023, and numbers of meetings attended by each of the Directors were as follows:

	Full meetings of Directors ¹		Audit and Risk		Nomination		Remuneration, People and Culture		R&D and Innovation ²	
	Held ³	Attended	Held ³	Attended	Held ³	Attended	Held ³	Attended	Held ³	Attended
Maurie Stang	7	7	2	2 ⁴	0	0	2	2	0	0
Steven Sargent	15	15	4	4	1	1	5	5	3	3
Geoff Wilson	15	15	4	4	1	1	5	5	3	2 ⁴
David Fisher	15	15	4	4	1	1	5	5 ⁴	3	3
Marie McDonald	15	15	4	4	1	1	5	5	3	3 ⁴
Lisa McIntyre	15	15	4	4	1	1	5	4 ⁴	3	3
Michael Kavanagh	15	15	4	4 ⁴	1	1 ⁴	5	5 ⁴	3	3

1. A number of additional Board meetings were held during the year to address discrete issues.

2. In addition to the R&D and Innovation Committee meeting held during the year, R&D matters were considered on a regular basis at Board meetings.

3. Indicates the number of meetings held which the Director is eligible to attend.

4. Attended in part or full in ex-officio capacity.

Share-based payments

Shares issued and performance rights and options granted under the share-based compensation plans during the year are detailed below.

Shares issued

During the year ended 30 June 2023, the Company issued a total of 480,631 (2022: 370,110) new ordinary shares in Nanosonics Limited of which 89,939 shares were issued under the Global Employee Share Plan at an average price of \$3.96 per share and 390,692 were issued pursuant to the exercise of performance rights and options under the share-based compensation plans. No amount was unpaid on any of the shares issued.

As at 30 June 2023, there were 302,315,760 (2022: 301,835,129) ordinary shares in Nanosonics Limited on issue. At the date of this report, there were 302,357,300 shares on issue. Further information on issued shares is provided in the Share-based payments Note 4.3 and Capital and reserves Note 9.1 to the financial statements.

Directors' report

Share options granted

During the financial year and to the date of this report, the Company granted under the terms and conditions of the Nanosonics Omnibus Equity Plan for no consideration, 1,841,699 (2022: 818,639) unquoted rights with nil exercise price and 1,140,725 unquoted share appreciation rights (2022: 843,496 unquoted share options) over unissued ordinary shares in Nanosonics Limited.

Further information on the grants is provided in Share-based payments Note 4.3 to the financial statements. Section 7.3 of the Remuneration Report provides the details of grants received by Key Management Personnel.

Shares under option

At the date of this report, there were 6,969,313 unissued ordinary shares of Nanosonics Limited under option under the Nanosonics Omnibus Equity Plan. As at 30 June 2023, there were 6,970,133 (2022: 5,792,730) unissued ordinary shares of Nanosonics Limited under option. Further information on the options is provided in the Share-based payments Note 4.3 to the financial statements.

Share-based compensation plan

Number of shares under option

Total shares under option at 30 June 2023	6,970,133
Performance rights and options lapsed	(820)
Total shares under option to the date of this report	6,969,313

The options entitle the holder to participate in a share issue of the Company provided the options are exercised on or after their vesting date and prior to their expiry date. No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Indemnifying officers or auditor

During the financial year, the Company paid insurance premiums to insure the Directors and Secretary and Key Management Personnel of the Company and its controlled entities.

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 positions 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.

The Directors have not included in this report the amount of the premium paid in respect of the insurance policy, as such disclosure is prohibited under the terms of the contract.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of 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.

Directors' report

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) and where noted (\$'000) under the option available to the Company under ASIC Instrument 2016/191. The Company is an entity to which that Instrument applies.

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.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate of the Company or jointly sharing risks and rewards.

During the year, the auditor of the Group, Ernst & Young, provided certain other services in addition to its statutory duties. These activities were conducted in accordance with the Company's Auditor Independence Policy, and in the Company's view did not compromise their independence.

Details of amounts paid or payable to the auditor of the Group in relation to audit and non-audit services are disclosed in Note 10.5 to the financial statements.

Officers of the Company who are former audit partners of Ernst & Young

There are no officers of the Company who are former audit partners of Ernst & Young.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is included on page 63 of this report.

Auditor

Ernst & Young was appointed auditor effective from 3 November 2017 and continues in office as auditor in accordance with section 327 of the Corporations Act.

Corporate Governance

The Company's Corporate Governance Statement and the ASX Appendix 4G are released to ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance policies can be found on the Company's website at <http://www.nanosonics.com/Investor-Centre/Corporate-Governance>.

Remuneration Report

The Remuneration Report forms part of the Directors' Report.

This report, which includes the Financial and Operational Review (on pages 8 to 19), the Information on the Board and the Executive Team (on pages 30 to 33), and the Remuneration Report (on pages 40 to 61), is made on 22 August 2023 and signed in accordance with a resolution of Directors, pursuant to section 298(2) of the Corporations Act.



Geoff Wilson

Director, Sydney

22 August 2023

Remuneration report

Letter from the Chair of the Remuneration, People and Culture Committee

On behalf of the Board of Directors, I am pleased to present the remuneration report for the year ended 30 June 2023.

Nanosonics in FY23

The 2023 financial year has been another year of significant achievement. The Company reported a 38% increase in total revenue to \$166.0 million resulting from the ongoing growth in new installed base, favourable pricing outcomes, increased trophon®2 upgrade sales and ongoing growth in consumables and service and favourable foreign exchange.

This was a pleasing result particularly in the context of the demonstrated profitability of the trophon business driven by the successful evolution of our sales model in our key market of North America.

With product expansion a cornerstone of the Company's strategic growth agenda, during the year the Company continued to invest in R&D, increasing 32% to \$29.5 million. This investment is directed across multiple areas including ultrasound reprocessing, endoscopy reprocessing and cloud solutions platform.

The organisation also increased its capacity and capability with the total number of employees increasing by 13% to 482 employees. We continued our focus on diversity, with the number of female Nanosonics' employees increasing from 42% last year to 45% globally and the senior leader female representation remaining consistent at 40%.

Nanosonics employees' commitment to its 'purpose' remained strong, as illustrated by the outcomes in Nanosonics Global Employee Engagement Survey, where 93% of the employees continued to believe in the overall purpose of Nanosonics and 88% of our employees understood how their work contributes to the goals of the Company.

Remuneration and outcomes

No significant changes were made to the remuneration framework in FY23. However, the weighting of the financial metrics for STI (PBT and total trophon units sold) was changed from 20%:40% to 30%:30% to reflect the importance of the profit metric.

Total Fixed Remuneration (TFR) is regularly reviewed for all Executive KMP to ensure it is sufficiently competitive and reflects position scope and accountabilities. In FY23 the CEO&P's base remuneration was increased by 6% and the base remuneration of the remaining executive KMP was increased in the range of 3.5% to 5%. Both the STI and LTI opportunities as a percentage of TFR remained the same.

Based on the performance of the business in FY23, the financial metric outcomes for the STI were:

- Profit Before Tax (PBT) of \$21.6 million, an above stretch performance resulting in 150% achievement; and
- Total trophon units installed of 4,410, a below threshold performance, resulting in 0% achievement.

After assessing the CEO&P and the other Executive KMP's performance against their remaining metrics, the overall STI outcomes, inclusive of financial and non-financial metrics were:

- The CEO&P STI outcome was 60.0% of maximum (78.0% of target);
- The other Executive KMP STI outcomes ranges between 53.6% and 63.8% of maximum (71.0% to 83.0% of target); and
- The average for all other Executive KMP (inclusive of the CEO&P) was 60.1% of maximum (77.9% of target).

There were no downward Values rating modifiers applied to the CEO&P or other Executive KMP in FY23.

The 2019 LTI award was subject to a PBT gate and the performance condition of an Absolute CAGR of TSR. As neither the PBT gate nor the TSR performance condition was met, the 2019 LTI grant of Performance Rights and Options resulted in nil vesting.

NED fees remained unchanged in FY23.

Looking forward to FY24

After 12 years of service as Chief Financial Officer at Nanosonics, McGregor Grant is due to leave at the end of August 2023. We thank him for his many years of service and contributions at Nanosonics and wish him the best for the future.

In FY23, the Board undertook a remuneration benchmarking and framework review by Guerdon Associates to ensure our remuneration continues to be effective in motivating, retaining and attracting high calibre executives and NEDs, while aligning with shareholder experience. The remuneration benchmarking exercise included a review of comparable ASX-listed companies based on global operational and regulatory complexity, revenue, EBIDTA and market capitalisation. This resulted in an average increase of 8% to base remuneration for all Executive KMP (other than the CEO&P) and an increase of 13.8% for the CEO&P, in order to be more aligned with his median of the market. The increase for the CEO&P has simply brought his base remuneration to the median of the peer group, and is considered overdue, having regard to both his seniority (more than nine years in the role) and performance.

Remuneration report

As a result of the review, the following changes will be made to the FY24 executive remuneration framework:

- Stretch performance will be introduced for non-financial STI measures (which previously could only pay out at target). This increases the maximum opportunity for the CEO&P to 90% of TFR (FY23: 78% of TFR) and for the other Executive KMPs to 75% of TFR (FY23: 62.5%-66.25% of TFR);
- All of the LTI will be granted in the form of performance rights;
- For FY24, LTI will have two equally weighted performance measures, being a profit growth metric of the core business (which takes into account all revenue and expenses directly related to the trophon business) and a relative TSR against the ASX Small Ordinaries (101 to 300) excluding GICS Energy Sector, Financials Sector, Metals & Mining Industry and REITs; and
- Exercise period for performance rights granted under STI and LTI will be extended to 10 years from grant date.

These changes will further optimise the remuneration framework for the next phase of Nanosonics strategic plan, including the growth of the trophon business and development and introduction of new products. In future years, and following the launch of CORIS®, measures linked to successful commercialisation of CORIS® will be included in the remuneration framework.

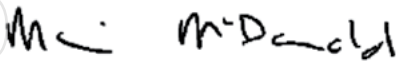
Changes arising from the review are further described in this year's Remuneration Report, and a detailed description of changes to the executive LTI framework will be disclosed in the 2023 Notice of Annual General Meeting for shareholder approval of the CEO&P equity grant.

The current NED fees were last increased in 2019, NAN is currently undertaking a process of Board renewal and wishes to ensure that it can continue to attract high calibre directors. Accordingly, NED fees were considered in the FY23 remuneration and framework review. The review indicated that the current NED fees were significantly below median and, as a result, the Board approved an increase for NEDs from \$100,000 to \$120,000 and for the Chair from \$225,000 to \$270,000 (a 20% increase in each case). As a result, these fees will be closer to, but still below, peer group median. Fees for Committee Chairs and members will also be increased by 25%.

We value your feedback and will continue to regularly engage with and provide ongoing updates to our shareholders about our remuneration policies and objectives.

On behalf of the Board, I invite you to review the full report and thank you for your ongoing support of Nanosonics.

Yours sincerely,



Marie McDonald

Chair, Remuneration, People and Culture Committee

22 August 2023

Remuneration report

The Remuneration Report for the year ended 30 June 2023 (2023 Financial Year or FY23) forms part of the Directors' Report. It has been prepared in accordance with the Corporations Act 2001 (Cth) (the Act), Corporations Regulation 2M.3.03, in compliance with AASB124 Related Party Disclosures, and audited as required by section 308(3C) of the Act. It also includes additional information and disclosures that are intended to support a deeper understanding of remuneration governance and practices, where statutory requirements are not sufficient.

Report Structure

The report is divided into the following sections:

1. Key points for your attention
2. Key Management Personnel
3. Remuneration link with Company performance and strategy
4. Remuneration Framework
5. Company performance and remuneration outcomes
6. Non-executive Director remuneration
7. Statutory tables and disclosures
8. Governance

1 Key points for your attention

FY23 Outcomes

Feature/issue/element	What you need to know	Refer
FY23 Remuneration framework, total fixed remuneration and NED fees	There were minor changes to the remuneration framework and structure in FY23 from FY22. The changes included a reweighting of the STI financial measures from 20%:40% between PBT and installed base to 30%:30%. In addition, the new installed base performance measure in FY22 was expanded to total trophon units installed which includes trophon upgrades, an important strategic driver of growth. Total Fixed Remuneration (TFR) changes for the KMP in FY23 were: – CEO&P: 6% increase to base remuneration; and – Other Executive KMP: a range of 3.5% to 5% increase to base remuneration. STI and LTI opportunities remained unchanged. There were no changes to NED fees in FY23.	Section 4
STI outcomes for FY23	– The Stretch performance condition was exceeded for PBT, which resulted in 150% achievement. – The Threshold performance condition was not met for Total trophon units, which resulted in 0% achievement.	Section 5.2
LTI outcomes for FY23	– The 2019 LTI award was subject to a PBT gate and the performance condition of an Absolute CAGR of TSR. – As neither the PBT gate nor the performance condition was met, the 2019 Long-term Incentive (LTI) resulted in nil vesting of Performance Rights or Options.	Section 5.3
Advisory vote on remuneration report at 2022 AGM and executive variable remuneration framework review	Nanosonics received 96.6% support for the FY22 remuneration report. A review of Nanosonics' executive remuneration framework was undertaken in FY23. The findings from the review indicated that a number of elements of the framework could be improved. As such, amendments to the STI and LTI framework will be adopted in FY24. Further information is provided below and comprehensive details of the changes will be disclosed in the 2023 Notice of Meeting for the CEO&P equity grant.	

FY24 Changes

Feature/issue/element	What you need to know	Refer
STI Non-Financial performance measures These changes will drive and motivate high performance and reward both performance and behaviours.	In FY24, all STI performance measures, including non-financial measures, have a maximum opportunity of 150% (in FY23 non-financial measures were limited to target only at 100%). This change will ensure that our strategic priorities are treated with the same focus as current financial targets, since these priorities drive future financial performance and, therefore, shareholder return. Payment for above target non-financial performance will not exceed a fixed percentage of above target performance of the PBT metric. The values modifier will be extended to enable reward for positive contribution (a maximum multiplier of up to 150%), as well as the existing downwards potential adjustment (from 100% to zero) for negative contribution, based on the Company's Values. It is expected that this modifier would be infrequently used.	2024 Remuneration Report (when available)

Remuneration report

1 Key points for your attention continued

FY24 Changes continued

Feature/issue/element	What you need to know	Refer
LTI Payment Vehicle This change simplifies the reward structure and aligns with market practice.	In FY24, Nanosonics will deliver all of its LTI in Performance Rights. Previously, two thirds of LTI was delivered in Performance Rights (PR) and one third of LTI was delivered in Share Appreciation Rights (SARs).	2023 Notice of Meeting
LTI Performance Measures: 50/50 rTSR and PBT core business CAGR This change reflects the equal importance of Company financial performance and shareholder experience.	In FY24, Nanosonics' LTI will be based on <u>two equally weighted</u> tranches contingent on achievement of first, a Relative TSR measure against an appropriate ASX Index and, secondly, a profit growth metric related to the core (trophon) business. The use of the same payment vehicle (Performance Rights) makes equal weighting appropriate, previously it was one third for the TSR measure (paid in SARs) and two thirds for UROE (paid in PRs). It also achieves an appropriate balance between shareholder experience (rTSR) and Company performance (the profit growth metric). Each metric will be measured over three years.	2023 Notice of Meeting
rTSR Peer Group The change in comparator group reflects a peer group that is more closely aligned with Nanosonics in terms of Company size and industries; and the change in ranking methodology to percentile ranking is aligned with market practice.	For the 2023 LTI award, Nanosonics will measure TSR on a relative basis, rather than against an absolute measure. This is considered more appropriate as the Company's business has matured, and its earnings stream has grown. Performance will be measured against an updated peer group, being the ASX Small Ordinaries (101 to 300), excluding GICS Energy Sector, Financials Sector, Metals & Mining Industry and REITs. For the 2022 LTI award, it was the ASX 300 Industrials Index. These updated peer companies are more aligned to Nanosonics in terms of size and industry. A positive TSR gate will continue to apply for the rTSR metric. Full details of the framework will be disclosed in the Notice of Meeting for the 2023 AGM.	2023 Notice of Meeting
The change to a core business PBT growth metric maintains a focus on the Company's long term goals, which rewarding for growth.	In FY24, Nanosonics is adjusting its LTI framework to replace UROE with a profit metric against its core (trophon) business. For FY24, the metric will take into account all revenue and expenses directly related to the trophon business. It will therefore include R&D related to the trophon product development roadmap (which is not included in the UROE metric) and will exclude R&D related to products which have not yet been commercially launched, such as CORIS®. It is expected that after CORIS® progresses through successful commercial launch, revenue and expenses relating to it will be reflected in this metric in future awards. The underlying purpose of the existing UROE metric and the new core business profit metric are similar, namely to ensure that executives are not disincentivised from investing in R&D (essential to Nanosonics' long term growth strategy). However, discipline in R&D expenditure will continue to be monitored through the STI program which incentivises achievement of annual PBT goals, which takes into account all R&D expenditure. Further, by increasing the weighting of the rTSR metric in FY24, accountability for performance of aspects of the business excluded from profit growth metric will be enhanced. The core business PBT measure will be a CAGR over three years, rather than the current three year average, as we wish to reward growth in profitability of the core (trophon) business. Further details of the framework will be disclosed in the Notice of Meeting for the 2023 AGM.	2023 Notice of Meeting
Rights exercise period	In FY24, the exercise period on Performance Rights under the STI and LTI incentive plans will be extended to 10 years from grant date. This change is aligned with market practice and will enable Executives to have an exercise period long enough to cover a reasonable economic cycle and provide greater flexibility in financial outcomes.	2023 Notice of Meeting

Remuneration report

2 Key Management Personnel

This report covers Key Management Personnel (KMP) who are defined as those who have the authority and responsibility for planning, directing and controlling the activities of Nanosonics.

			Committee membership			
Name	Role	Appointed	Nomin- ation	Audit and Risk	RPC	R&D and Innovation
Non-executive						
Steve Sargent	Chairman, Independent Director	6 Jul 2016	✓	✓	✓	✓
Geoff Wilson	Independent Director	17 Jul 2019	✓	C	✓	
David Fisher ¹	Independent Director	30 Jul 2001	✓	✓		C
Marie McDonald	Independent Director	24 Oct 2016	✓	✓	C	
Lisa McIntyre ¹	Independent Director	13 Dec 2019	✓	✓		C
Maurie Stang ²	Deputy Chairman, Non-independent Director	14 Nov 2000	✓	✓	✓	✓
Executive						
Michael Kavanagh	Chief Executive Officer & President (CEO&P) and Managing Director	21 Oct 2013				✓
McGregor Grant ³	Chief Financial Officer (CFO) and Company Secretary	28 Apr 2011				
Steven Farrugia	Chief Technology Officer (CTO)	5 Sep 2016				
David Morris	Chief Strategy Officer (CSO) and Regional President, APAC	4 Feb 2019				
Rod Lopez	Chief Operating Officer (COO)	4 Mar 2019				

✓ = member, C = Chairman

1. Lisa McIntyre was appointed as Chair of R&D Innovation Committee on 1 January 2023. On that date, Dr Fisher retired from the role of chair R&D and Innovation Committee.
2. Maurie Stang retired from the Board on 18 November 2022.
3. McGregor Grant will be leaving the Company on 31 August 2023.

Remuneration report

3 Remuneration link with Company performance and strategy

3.1 Overview of Remuneration Framework

Nanosonics' Remuneration Framework is designed to support the Company's strategy and reward executives for successful implementation.

The Remuneration Framework is designed to attract, motivate and retain talent to enable the Company to deliver on the growth strategy of the core business and to develop and implement the long-term strategy by investing to establish Nanosonics as a globally recognised leader in infection prevention.

Executive KMP remuneration principles			
An appropriate balance of fixed and variable components.	Attract, motivate and retain executive talent.	Reward outcomes to drive performance and behaviours.	Shareholder value creation through equity alignment.
Total Remuneration			
Fixed		Variable and at-risk	
Total Fixed Remuneration (TFR)	Short-term Incentive (STI)	Long-term Incentive (LTI)	
Fixed remuneration is based on relevant market relativities, responsibilities, performance, qualifications, experience and location.	STI performance criteria are set by reference to Company and individual performance targets relevant to the specific position.	LTI targets are linked to shareholder value creation.	
Delivery			
Base salary in cash plus any fixed elements related to local markets, including superannuation or equivalents. This may include fringe benefits and relevant FBT.	Part cash and part equity. Equity as part of the award facilitates share ownership in Nanosonics and increases alignment of executive interests with shareholders. The equity component is deferred to facilitate malus/clawback policies, and to create shareholder alignment.	Equity is held subject to performance and service requirements. The measurement period is three years to create a long-term focus aligned with the financial interests of the Company shareholders.	
Strategic intent and marketing positioning			
TFR is determined with regard for a range of factors including relevant market-based data, experience, responsibilities and performance in the roles.	STI performance requirements are focused on achieving annual objectives that will underpin the growth strategy. TFR and the STI opportunities are benchmarked to ensure total remuneration is positioned competitively when outcomes are on-target.	LTI is designed to focus Executive KMP on the longer-term strategy for the business and vested LTI aligns their interests with those of the Company and its shareholders. LTI opportunities are benchmarked to ensure total remuneration is positioned competitively when on-target performance is met.	
			
Total Remuneration is benchmarked to be competitively positioned and reward achievement			

3.2 Assessment of behaviours against Nanosonics' Core Values

Nanosonics believes the value created by desirable behaviours is inextricably linked to sustainable long-term value creation for shareholders. Our Values, desired behaviours and the relationship with our customers and the broader community are fully considered in the assessment of individual performance. The Board conducts a formal behavioural assessment of the CEO&P and each Executive KMP as part of their overall performance review and the incentive outcome may be negatively adjusted if the behaviours and values exhibited do not meet expectations.

Remuneration report

4 Remuneration Framework

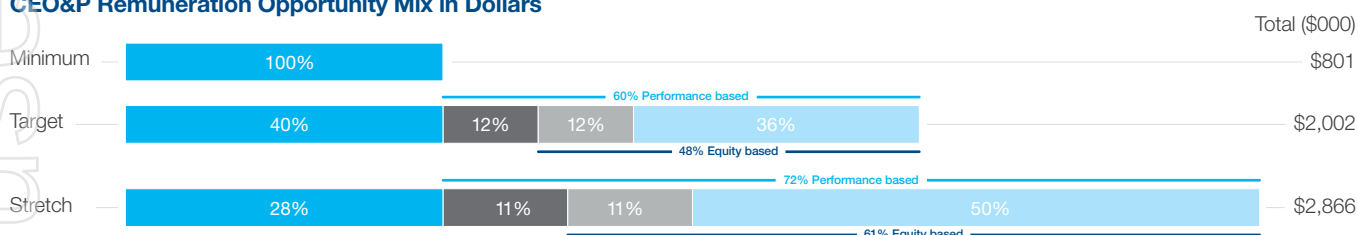
4.1 Remuneration mix

The remuneration mix for each Executive KMP provides an appropriate balance between fixed and variable at-risk remuneration to ensure focus on short, medium and longer-term performance. The Board considers this approach aligns Executive KMP remuneration with shareholders' interests and expectations. A significant portion of executive remuneration is paid in equity (48% for the CEO&P and 37.5% for Other Executive KMP at Target achievement).

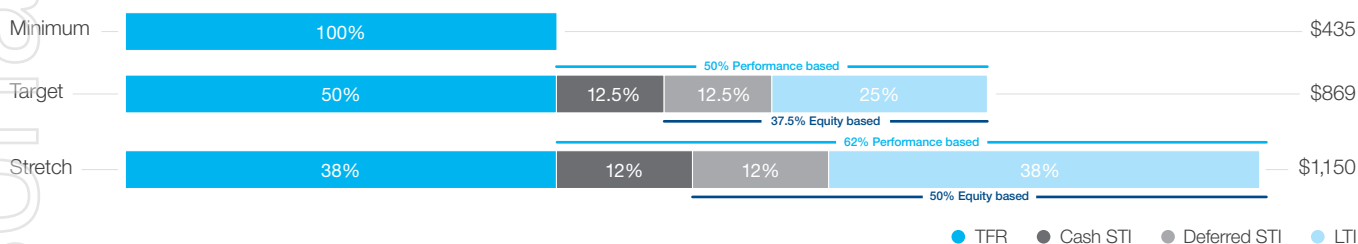
Executive remuneration is reviewed regularly by the Remuneration, People & Culture Committee (RPC) with reference to each executive's individual performance, experience and relevant comparable compensation in the market.

The following two figures show the CEO&P remuneration mix and the average remuneration mix for Other Executive KMP in FY23.

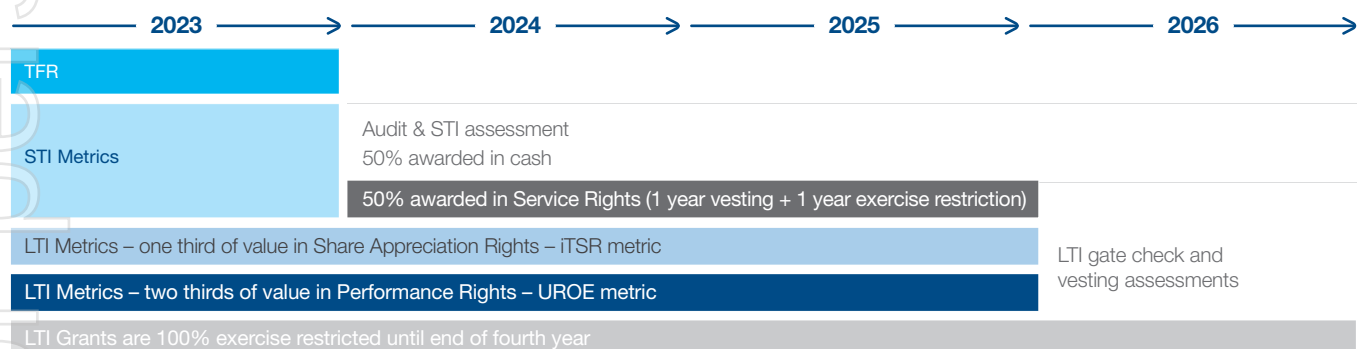
CEO&P Remuneration Opportunity Mix in Dollars



Other Disclosed Executive KMP Remuneration Opportunity Mix in Dollars (Average)



4.2 Remuneration cycle



4.3 Total Fixed Remuneration (TFR)

TFR comprises base salary plus any fixed elements relating to local markets, including superannuation or equivalent. In addition to base salary, executives may receive benefits in line with local practice, such as health insurance and car allowance.

TFR for Executive KMP is benchmarked regularly for market competitiveness as described in 4.1 above. Adjustments to TFR may be made in response to individual performance, an increase in job responsibilities, changing market conditions or promotion. Any adjustment to Executive KMP remuneration is approved by the Board, based on recommendations by the CEO&P and the RPC.

Remuneration report

4 Remuneration Framework continued

4.4 FY23 Short-Term Incentive (STI)

The following table describes the key features of the STI for FY23. The FY23 STI outcomes are dependent on meeting group and operational metrics for the year.

Purpose	To motivate and reward executives for the achievement of group and operational objectives approved by the Board at the beginning of the financial year.		
Opportunity	The STI opportunities for each of the Executive KMP are:		
		% of TFR	
		Target	Maximum
	CEO&P	60%	78%
	CFO	50%	65%
	CTO	50%	62.5%
	CSO/Regional Pres APAC	50%	66.25%
	COO	50%	65%

Performance measures

The Board-approved performance requirements for the Executive KMP for FY23 were as follows:

– **Group Financial metrics:**

- > **Profit Before Tax (PBT):** PBT is a critical performance requirement aligned with the Company's continued growth strategy and can be influenced by the Executive KMP.
- > **Global Total trophon Units:** This includes both new installed base and upgrade units each of which are critical strategic growth drivers for the business.

Operational metrics: The FY23 Operational metrics for each Executive are aligned with the business priorities of Innovation, Growth, Customer and Employee Engagement, and Business Optimisation. The weightings for each Executive KMP were as follows:

Executive KMP	Metric weighting allocation				Total weighting
	Group financial metrics		Operational metrics		
	Profit before tax	Total trophon units sold	Regional financial	Operational	
CEO&P	30%	30%		40%	100%
CFO	30%	30%		40%	100%
CTO ¹	20%	30%		50%	100%
CSO/Regional ²					
Pres APAC	15%	15%	35%	35%	100%
COO	30%	30%		40%	100%

1. The Operational metrics of Dr. Farrugia have a higher weighting on product development and therefore the weighted group metrics were 50% (not 60%).

2. Mr. Morris, Chief Strategy Officer and Regional President, APAC, had a higher weighting attached to the achievement of Regional and Operational metrics reflecting the role of Regional President, APAC.

Vesting scale

The vesting scales for the financial and operational metrics are:

Achievement	Vesting %	
	Financial metrics	Operational metrics
Below threshold	Nil	N/A
Threshold	50%	N/A
Target	100%	100%
Stretch	150%	N/A

Vesting is on a pro rata linear basis between each level.

Remuneration report

4 Remuneration Framework continued

Calculation of STI outcome

The STI outcome for the year is calculated as follows.

$$\text{Total STI award (\$)} = \text{TFR (\$)} \times \text{STI opportunity (\% of TFR)} \times \text{STI outcome \% (total of vested percentage of each metric)} \times \text{Values rating modifier (0\% to 100\%)}$$

(amount paid in the financial year)

The Values rating is a downward modifier and is based on each executive's behaviour in relation to living the Company's Core Values of *Collaboration, Innovation, Discipline, Agility* and *Will to Win*. The Values rating modifier is applied to the total STI outcome % in determining the final award. Downward modification is by exception and subject to careful assessment by the Board – refer to section 5.2.

Payment vehicle

The STI is delivered as:

- 50% paid in cash; and
- 50% granted as Service Rights (SRs) contingent on one-year service condition, and a one-year exercise restriction period, i.e. two-year lockup.

Allocation method

The number of SRs is calculated by dividing the award value by the Volume Weighted Average Price (VWAP) of Nanosonics' shares for the 20 trading days following release of the FY23 financial results.

Dividends

SRs do not carry any dividend or voting rights prior to exercise.

Termination of employment

The Executive must be employed by the Company and not working a notice period at the time of payment to be eligible for the cash component.

The Executive must be employed by the Company and not working out a notice period from the date of grant to the vesting date to be eligible for vesting of the SRs.

Board discretion

The Board retains discretion to modify STI assessment outcomes, or the form of settlement, if it deems it appropriate, having regard to the circumstances that prevailed over the measurement period. The Board will disclose the application of such discretion to Executive KMP STI awards, when applicable.

4.5 2022 Long-Term Incentive (LTI)

At the 2022 Annual General Meeting held on 18 November 2022, shareholders approved the CEO&P's 2022 LTI grant. Details of the 2022 LTI grant, which equally apply to all Executive KMP are set out in the following table.

Purpose	To align a significant portion of Executives' total remuneration opportunity with the drivers of shareholder value creation over the longer term and to align Executive interests with those of shareholders.		
Opportunity	The LTI opportunities for each of the Executive KMP are:		
		% of TFR	
		Target	Maximum
	CEO&P	90%	180%
	CFO	50%	100%
	CTO	50%	100%
	CSO	50%	100%
	COO	50%	100%
Payment vehicle	Equity grants to the Executive KMP were awarded as follows:		
	Tranche 1: (33.33% weighting) Share Appreciation Rights (SARs) which are cashless exercise options with a notional exercise price of \$4.143 (based on the VWAP of Nanosonics' shares for the 20 trading days from the release of the Company's FY22 results).		
	Tranche 2: (66.67% weighting) Performance Rights (PRs) with a nil exercise price.		

Remuneration report

4 Remuneration Framework continued

Allocation method

The number of SARs or PRs granted is calculated as follows:

$$\text{Number of SARs/PRs} = \text{TFR (\$)} \times \text{LTI opportunity \% at Stretch} \times \text{Tranche weighting} \div \text{Value of SAR/PR}$$

The value of each SAR or PR is determined using a Black-Scholes model (prepared by an independent consultant), ignoring vesting conditions (i.e. no discounting applies).

Performance Period

The performance periods for the SARs and the PRs are:

Tranche 1 SARs: From the announcement of the Company's FY22 financial results to the announcement of the Company's FY25 financial results.

Tranche 2 PRs: From 1 July 2022 to 30 June 2025.

Exercise restriction period

The SARs and the PRs are subject to an exercise restriction period of one year from the Vesting Date.

Gate

A Gate is a condition that, if not fulfilled, will result in nil vesting of certain Rights, irrespective of performance in relation to the Performance Conditions. The Gate for the 2022 LTI grant is:

SARs (iTSR): The Company's TSR must be positive over the Performance Period.

PRs (UROE): No Gate applies.

Performance Conditions

The Performance Conditions for the 2022 LTI are:

SARs (iTSR): Vesting of the SARs is contingent on Nanosonics' Total Shareholder Return (TSR) over the Performance Period (being the change in Share Price, plus dividends declared assumed to be reinvested) compared to the TSR of the ASX 300 Industrials Index after adding a premium of 3% CAGR at Target and 6% CAGR at Stretch. This is a market condition reflecting a Nanosonics risk-adjusted return relative to the Index with vesting on a linear basis as follows:

Outcome	NAN TSR performance	% vesting of grant
Stretch	Index TSR% + 6.0% TSR CAGR	100%
Target	Index TSR% + 3.0% TSR CAGR	50%
Threshold	Index TSR%	25%
Below	<Index TSR%	0%

PRs (UROE): Vesting of the PRs is contingent on Nanosonics' three-year average Underlying Return on Equity over the Performance Period being the average PBT in each year of the Performance Period excluding reported R&D expenses divided by the average shareholders' equity over the Performance Period. This is a non-market, earnings-based condition to support investment in growth with vesting on a linear basis as follows:

Outcome	Three-year average UROE	% vesting of grant
Stretch	31%	100%
Target	28%	50%
Threshold	25%	25%
Below	<25%	0%

Remuneration report

4 Remuneration Framework continued

Exercise and settlement

Vested SARs and PRs not exercised before the end of their term will lapse. For manual exercise, an Exercise Notice must be given to the Company by the participant.

Upon exercise, the Board will calculate the Exercised Rights Value as follows:

$$\text{Exercised Value} = \text{Number of SARs or PRs Exercised} \times (\text{Share Price at Exercise} - \text{Exercise Price})$$

The Exercised Value may be settled in the form of shares, restricted shares or cash at the discretion of the Board. Generally, settlement will be in the form of shares unless exceptional circumstances apply.

Restricted shares may not be disposed of until all of the following cease to apply:

- Disposal restrictions specified in the Invitation;
- Disposal is prohibited by the Company's securities trading policy; and
- Disposal is prohibited due to the insider trading restrictions in the Corporations Act.

Dividends

SARs and PRs do not carry any dividend or voting rights prior to exercise.

Term

SARs and PRs will have a term ending on the 30 September 2029 (last exercise date) except in countries where tax treatment requires auto exercise after exercise restriction period (such as the USA).

Corporate actions

In the case of a delisting, pro-rata time and performance vesting will apply, and the Board has discretion to vest or lapse the remainder as appropriate. Any rights that do not vest will lapse.

In the case of a demerger or major return of capital, either pro-rata time and performance vesting will apply, and the Board has discretion to vest or lapse the remainder; or the terms of unvested grants will be modified such that participants are neither advantaged nor disadvantaged by the corporate action.

Termination of employment

If the participant does not remain in continuous employment until the vesting, 100% of award is forfeited, subject to Board discretion.

Malus and Clawback

The Plan rules incorporate the Company's Clawback Policy and include a malus clause that, among other things, allows the Board to forfeit a participant's unexercised rights if the participant takes certain actions deemed to harm the interests of the Company, whether before or after a termination of employment has occurred. This and the other rules of the plan cover traditional "Bad Leaver" circumstances, including dismissal for cause, and joining a competitor (subject to Board discretion).

Board discretion

The Board has discretion to amend the Plan Rules, trigger vesting and/or adjust vesting outcomes to ensure that inappropriate outcomes do not occur.

4.6 Minimum shareholding requirements

The Company has a policy that requires Non-executive Directors and Executive KMP to have a minimum equity holding equivalent to the previous year's annual Director fee (including superannuation and excluding committee fees) or base salary. The minimum holding is expected to be met within four years of appointment or commencement.

Nanosonics encourages Executive KMP to acquire shares and supports the holding policy by awarding a substantial portion of variable remuneration in the form of equity and the design of the STI and LTI awards.

Progress towards compliance with the policy is outlined in section 7.3. The minimum level of equity holding includes vested but unexercised securities and shares held directly, or indirectly as the beneficial owner, by the KMP.

A copy of the Company's Share Ownership Policy is available on Nanosonics' website, www.nanosonics.com under Investor Centre, Corporate Governance.

Remuneration report

5 Company performance and remuneration outcomes

5.1 Relationship between Nanosonics' performance and Executive KMP variable remuneration

Nanosonics' remuneration framework is aimed at rewarding Executive KMP for the achievement of sustainable business growth and for the creation of shareholder value in the short, medium and long term. The following table shows the Company's quantitative performance between FY19 and FY23 with relevant short-term and long-term remuneration outcomes. The table includes both statutory performance disclosures and indicators that have strong links to variable remuneration outcomes.

Five-year performance history	FY23	FY22	FY21	FY20	FY19
Earnings and cash flows					
Revenue (\$'000)	165,993	120,320	103,079	100,054	84,324
Profit before tax (\$'000)	21,596	1,578	10,983	12,459	16,830
Net profit after tax (\$'000)	19,883	3,742	8,578	10,136	13,602
Pre-tax basic earnings per share (Pre-tax EPS) (cents)	7.16	0.52	3.65	4.15	5.61
Basic earnings per share (EPS) (cents)	6.60	1.24	2.85	3.37	4.54
Free cash flow (\$'000)	19,773	(207)	5,935	20,876	2,621
Returns					
Share price as at 30 June (\$)	4.74	3.36	5.87	6.82	5.62
Relative TSR percentile ranking	n/a	n/a	n/a	93.1/75.8 ³	90.9/88.4 ⁴
Three-year rolling CAGR TSR % ¹	(11.4)	(15.8)	22.9	39.0	36.9
Remuneration outcomes					
Average Executive KMP STI outcome as a % of Target	77.9	41.4	94.9	64.8	80.3
Average Executive KMP STI outcome as a % of Maximum	60.1	31.8	71.7	43.2	53.5
% that vested during the year	0 ²	0	100	100	75

1. Three-year CAGR TSR shown for the five years' performance period was calculated using the 30 June closing share price.

2. Relates to 2019 LTI.

3. Relates to the 2017 LTI Nanosonics percentile ranking of Comparator Group 1 and Comparator Group 2, respectively.

4. Relates to the 2016 LTI Nanosonics percentile ranking of Comparator Group 1 and Comparator Group 2, respectively.

5.2 FY23 STI outcomes

Nanosonics' STI rewards Executives for the achievement against weighted metrics set by the Board at the beginning of the year. The FY23 metrics are financial and operational in nature and designed to strengthen alignment between management and shareholders. The payment of the STI is dependent on meeting Group Financial and Operational metrics.

The Group Financial metrics and the outcome of those metrics in FY23 are summarised below:

Metric	Measure	Outcome	Comments on outcomes
Profit Before Tax (PBT)	Achievement of Profit Before Tax	150%	The Company exceeded the stretch PBT level set by the Board when approving the FY23 operating plan. This outcome was due to total revenue exceeding the FY23 budget as a result of strong performance in North America with improved pricing, increased revenue from consumables and service, the successful transition to a direct sales model, and favourable foreign exchange during the year. APAC's revenue was close to budget and revenue in EMEA was lower than anticipated due to broader macro economic impacts.
Total trophon Units	The total number of trophon units (new installed base and upgrades sold in the year)	0%	The Company did not meet the total trophon units sold threshold set by the Board when approving the FY23 operating plan. While there was a strong performance in upgrade units sold during the year, the broader macroeconomic issues impacting hospital budgets had a delaying effect on the uptake of new installed base.

The Board did not exercise any positive or negative discretion in relation to the Group Financial metrics following its review of the overall circumstances and the way in which the outcomes were achieved.

Remuneration report

5 Company performance and remuneration outcomes continued

In addition to the Group Financial metrics, each Executive KMP is required to achieve Operational metrics which comprise regional financial metrics or operational metrics that are set by the Board. These metrics are aimed at achieving specific outcomes across a range of areas, including commercial strategy, supply chain continuity, customer satisfaction, product development and innovation, and geographical expansion, as well as the consideration of the Company risk register.

The outcomes of the Operational metrics that were set for the CEO&P and Other Executive KMP include:

- Development of the commercial strategy for CORIS®;
- Management of the Company's global supply chain to deliver our products to customers with minimal disruption;
- Successful completion of the transition to a largely direct sales model in North America;
- Successful implementation of the project milestones for CORIS® and development of the trophon product roadmap;
- Progress with the APAC geographical expansion including Japan and China; and
- Uplift in IT and cyber security capabilities.

The overall outcome of the Operational metrics for FY23 demonstrated a strong result and were as follows:

CEO&P: 82.5% (33% weighted outcome).

Other Executive KMP: 87.3% average (42.4% average weighted outcome).

There were no downward Values rating modifications applied to the Executive KMP in FY23.

The total STI award value and payout for each Executive KMP for the completed period is summarised below.

Executive KMP	Target STI (100%)	Maximum STI	Group financial metrics outcome	Individual/ operational metrics outcome	STI Achievement ¹	Cash	SRs	For- feited ²
	\$	\$	%	%	%	\$	\$	%
Michael Kavanagh CEO&P	480,409	624,532	45.0	33.0	78.0	374,719	187,360	22.0
McGregor Grant ³ CFO	215,664	280,363	45.0	38.0	83.0	179,001	179,001	17.0
Steven Farrugia CTO	213,809	267,261	30.0	45.0	75.0	160,357	80,178	25.0
David Morris CSO/Regional President APAC	231,187	306,322	22.5	48.5	71.0	164,142	82,071	29.0
Rod Lopez COO	208,524	271,081	45.0	38.0	83.0	173,075	86,537	17.0

1. STI achievement includes Values rating modifier, where applicable.

2. % forfeited is the difference between target STI opportunity and the STI achieved.

3. The CFO, McGregor Grant, will be leaving the Company on 31 August 2023. His STI award for FY23 will be delivered wholly in cash with no deferral in SRs.

Remuneration report

5 Company performance and remuneration outcomes continued

5.3 LTI grants on foot and outcomes in FY23

The on-foot grants of prior year LTI for each Executive KMP during FY23 are summarised in the table below.

	2019 LTI		2020 LTI		2021 LTI		2022 LTI	
Equity Instrument	PRs	Options	PRs	SARs	PRs	SARs	PRs	SARs
Percentage of Grant	Various ¹	Various ¹	66.67%	33.33%	66.67%	33.33%	66.67%	33.33%
Performance Measure	Absolute TSR	Absolute TSR	UROE	iTSR	UROE	iTSR	UROE	iTSR
Gate Measure	PBT	PBT	N/A	Positive TSR	N/A	Positive TSR	N/A	Positive TSR
Performance Period	27 Aug 19 – FY22 Release of Results	27 Aug 19 – FY22 Release of Results	01 Jul 20 – 30 Jun 23	FY20 – 23 Release of Results	01 Jul 21 – 30 Jun 24	FY21 – 24 Release of Results	01 Jul 22 – 30 Jun 25	FY22 – 25 Release of Results
Grant Date (CEO&P)	18 Nov 19	18 Nov 19	24 Nov 20	24 Nov 20	19 Nov 21	19 Nov 21	18 Nov 22	18 Nov 22
Grant Date (Other Executive KMP)	02 Apr 20	02 Apr 20	03 Mar 21	03 Mar 21	24 Jan 22	24 Jan 22	06 Dec 23	06 Dec 23
Vesting Date	30 Sep 22	30 Sep 22	30 Sep 23	30 Sep 23	30 Sep 24	30 Sep 24	30 Sep 25	30 Sep 25
Expiry Date	30 Sep 25	30 Sep 25	30 Sep 27	30 Sep 27	30 Sep 28	30 Sep 28	30 Sep 29	30 Sep 29
Exercise Price	Nil	\$6.51	Nil	\$6.0436	Nil	\$6.8250	Nil	\$4.143
Gate Passed	No	No	N/A	TBD ³	N/A	N/A	N/A	N/A
Threshold (50% vesting)	8% TSR CAGR	8% TSR CAGR	22%	Index TSR%	23%	Index TSR%	25%	Index TSR%
Target (100% vesting)	13% TSR CAGR	13% TSR CAGR	25%	Index TSR% + 3.5% TSR CAGR	26%	Index TSR% + 3.5% TSR CAGR	28%	Index TSR% + 3.0% TSR CAGR
Maximum (200% vesting)	N/A	N/A	28%	Index TSR% + 7.0% TSR CAGR	29%	Index TSR% + 7.0% TSR CAGR	31%	Index TSR% + 6.0% TSR CAGR
Performance Outcome	0%	0%	24.5% ²	TBD ³				
Vesting Outcome as a percentage of Target								
– By Tranche	0%	0%	91.6%	TBD ³				
– Total		0%		TBD ³				

1. For the 2019 LTI, Executive KMP were able to select the mix of PRs and Options, with a minimum of 20% comprising PRs and 20% comprising Options.

2. The performance outcome of the UROE metric has been determined following the finalisation of the FY23 result.

3. To Be Determined: the performance outcome of the iTSR metric has not yet been determined. While the measurement period is yet to be completed, based on the closing share price as at 1 August 2023 of \$4.78, it is unlikely that the gate will open for the iTSR component of the award and as a result the SARs issued will not vest.

Remuneration report

5 Company performance and remuneration outcomes continued

5.4 Executive KMP remuneration received during the period (unaudited)

The amounts in this table are different to the statutory disclosures in section 7.1, which are prepared in accordance with the accounting standards and therefore include the accounting value for all unvested deferred STI and LTI awards expensed in the year. The table below is provided voluntarily and represents the value to the Executive KMP of cash paid and vested equity awards (vested value) received during the year.

Name	Year	TFR ¹ \$	Cash STI ² \$	STI SRs vested ³ \$	LTI PRs vested ⁴ \$	LTI SARs vested ⁵ \$	Actual remuneration received \$	(Loss)/gain on vested rights from change in share value during vesting period ⁶ \$
Michael Kavanagh CEO&P	2023	800,682	90,608	204,817	—	—	1,096,107	(81,176)
	2022	755,068	204,817	115,500	71,936	287,745	1,435,066	606,005
McGregor Grant CFO	2023	431,328	41,399	75,131	—	—	547,858	(29,774)
	2022	413,987	75,131	32,941	21,868	87,473	631,400	184,019
Steven Farrugia CTO	2023	427,617	51,071	69,581	—	—	548,269	(27,573)
	2022	408,568	69,581	36,225	140,736	61,104	716,214	146,012
David Morris CSO	2023	462,373	33,440	78,238	—	—	574,051	(31,006)
	2022	445,868	78,239	37,080	220,340	81,359	862,886	279,001
Rod Lopez COO	2023	417,047	49,584	70,919	—	—	537,550	(28,104)
	2022	396,668	70,919	36,225	167,260	69,041	740,113	138,702
Total	2023	2,539,047	266,102	498,686	—	—	3,303,835	(197,633)
	2022	2,420,159	498,687	257,971	622,140	586,722	4,385,679	1,353,739

1. Includes base salary, superannuation/pension and other cash and non-monetary benefits (which were not considered material) received during the year (excludes annual leave and long service leave accrual).

2. STI received as cash in respect of the previous financial year.

3. STI SRs vested in FY23 was from the FY21 STI award. Value vested represents the STI allocation value (STI award value) for the relevant award year.

4. LTI PRs vested in FY22 includes the 2018 LTI award. The 2019 LTI did not vest in FY23. Value vested represents the PRs allocation value for the relevant award year at the beginning of the measurement period to determine the number of rights to be awarded.

5. LTI SARs (and/or options) vested in FY22 includes the 2018 LTI award. The 2019 award did not vest in FY23. Value vested represents the SARs allocation value for the relevant award year (LTI award value) i.e. Black-Scholes valuation used at the beginning of the measurement period to determine the number of rights and options to be awarded multiplied by the number of rights and options that vested/forfeited following the end of the measurement period.

6. This is the difference between the equity vested value and the equity award value. The estimated realisable value is determined by multiplying the market share price at the time of vesting less any exercise price (for options) and the number of vested performance rights/options. Actual realised value at the point of exercise and sale of shares may vary.

Remuneration report

6 Non-executive Director remuneration

6.1 Principles

The principles that Nanosonics applies in governing Non-executive Director (NED) remuneration are set out below.

Principle	Comment
Fees are set by reference to key considerations	Fees for Non-executive Directors are based on the nature of the Directors' work and their responsibilities, taking into account the nature and complexity of the Company and the skills and experience of the Director. In determining the level of fees, survey data on comparable companies is considered. External consultants may be used to source the relevant data and analysis. Non-executive Directors' fees are recommended by the Remuneration, People and Culture Committee and determined by the Board. Shareholders approve the aggregate amount available for the remuneration of Non-executive Directors.
Remuneration is structured to preserve independence whilst creating alignment	To preserve independence and impartiality, NEDs are not entitled to any form of variable remuneration payments and the level of their fees is not set with reference to measures of the Company's performance.
Aggregate Board fees are approved by shareholders	The total amount of fees paid to NEDs in FY23 is within the aggregate amount of \$1,200,000 a year, approved at the AGM held on 18 November 2022.

6.2 Remuneration elements

The elements of NED remuneration available to be offered as part of a package each year:

Remuneration element	Details		
Board fees per annum	Position	Board	Committee ²
	Chair	\$225,000 ¹	\$20,000
	Deputy Chair	\$135,000	—
	Non-Executive Director	\$100,000	\$10,000
Superannuation	Superannuation contributions are included in the annual Board fees above and are made at a rate of 10.5% of base fee (up to the Government's prescribed maximum contributions limit) for FY23 which satisfies the Company's statutory superannuation contribution obligations. Directors with other employers can apply to opt out receiving superannuation contributions, where applicable.		
Equity instruments	NEDs do not receive any performance-related remuneration, options or performance rights.		
Other fees/benefits	NEDs are reimbursed for out-of-pocket expenses that are directly related to Nanosonics' business.		

1. The Board Chair does not receive separate Committee fees.

2. No Committee fees are payable in relation to the Nomination Committee.

Remuneration report

7 Statutory tables and disclosures

7.1 Executive KMP statutory remuneration for FY23

The following table outlines the statutory and audited (A-IFRS) remuneration of executives.

Name	Year	Short-term	Long-term	Post-employment	Variable remuneration								Total remuneration
		Base salary	Other benefits ¹	Super-annuation ²	TFR		Cash STI ³		Deferred STI equity compensation ⁴		LTI equity compensation ⁴		
		\$	\$	\$	\$	% of TR	\$	% of TR	\$	% of TR	\$	% of TR	\$
Michael Kavanagh CEO&P	2023	692,731	115,131	25,292	833,154	41%	187,360	9%	150,522	7%	873,549	43%	2,044,585
	2022	703,366	95,087	23,568	822,021	57%	90,608	6%	117,776	8%	401,232	28%	1,431,637
McGregor Grant ⁵ CFO	2023	385,854	47,247	25,292	458,393	56%	179,001	22%	20,410	3%	158,094	19%	815,898
	2022	368,531	48,523	23,568	440,622	69%	41,399	7%	39,210	6%	113,300	18%	634,531
Steven Farrugia CTO	2023	359,838	56,134	25,292	441,264	53%	80,178	10%	60,867	7%	256,112	31%	838,421
	2022	363,462	36,806	23,568	423,836	65%	51,071	8%	42,791	7%	130,318	20%	648,016
David Morris CSO	2023	402,574	44,261	25,292	472,127	53%	82,071	9%	55,368	6%	284,082	32%	893,648
	2022	410,931	45,832	23,568	480,331	66%	33,440	5%	36,659	5%	175,572	24%	726,002
Rod Lopez COO	2023	360,616	41,357	25,292	427,265	51%	86,537	10%	67,876	8%	251,271	30%	832,949
	2022	360,185	39,599	23,568	423,352	65%	49,584	8%	37,824	6%	140,917	22%	651,677
Total	2023	2,201,613	304,130	126,460	2,632,203	49%	615,147	11%	355,043	7%	1,823,108	34%	5,425,501
	2022	2,206,475	265,847	117,840	2,590,162	63%	266,102	7%	274,260	7%	961,339	23%	4,091,863

1. Comprising annual leave and long service leave entitlements.

2. The only post-employment benefits are superannuation.

3. Cash STI is for the performance during the respective financial year. 2022 amounts represents the Cash STI opportunity accrued related to the financial year based on the achievement of the Company's Group metrics and Individual metrics.

4. The amount disclosed is the amount of the fair value of the rights and options recognised as an expense in each reporting period. The ability to exercise the rights and options is subject to vesting conditions.

5. The CFO, McGregor Grant, announced on 12 May his intention to resign on 31 August 2023. The amounts disclosed are the award value of LTI and deferred STI granted in FY23. No expense has been recognised in FY23 in relation to the 2022 LTI grant as it is forfeited on cessation of employment. The Board has determined Mr Grant is a good leaver for the purposes of the LTI and STI plans and has determined that his 2020 LTI and 2021 LTI grants will remain on-foot to be tested in the normal course at the end of the performance period. The 2020 LTI grant will be tested, and vesting determined in September 2023. As the performance period for that grant ended on 30 June 2023, there will be no pro-rating of the vested outcome. The 2021 LTI grant will be tested, and vesting determined in September 2024. The vesting outcome will be pro rata for service to 31 August 2023.

No termination payments were made to Executive KMP during this or the previous period.

7.2 Non-executive Director remuneration for FY23

The following table outlines the statutory and audited (A-IFRS) remuneration of NEDs:

Name	Year	Board fees	Committee fees	Superannuation	Total
		\$	\$	\$	\$
Steven Sargent	2023	203,620	—	21,380	225,000
	2022	122,727	27,273	15,000	165,000
Geoff Wilson	2023	97,625	29,287	3,088	130,000
	2022	90,909	27,273	11,818	130,000
David Fisher	2023	90,498	22,624	11,878	125,000
	2022	90,909	27,273	11,818	130,000
Marie McDonald	2023	90,498	27,149	12,353	130,000
	2022	90,909	18,182	10,909	120,000
Lisa McIntyre	2023	90,498	22,624	11,878	125,000
	2022	90,909	18,182	10,909	120,000
Maurie Stang	2023	59,886	—	—	59,886
	2022	219,886	—	5,114	225,000
	2023	632,625	101,684	60,577	794,886
Total	2022	706,249	118,183	65,568	890,000

Remuneration report

7 Statutory tables and disclosures continued

7.3 KMP equity movements and holding policy status

Movements in equity interests held during the financial year by KMP, including their personally-related parties, are set out below, as well as progress towards achieving the holding policy requirement.

Name	Instrument	Number held at open 2023	Granted FY23		Forfeited during FY23	Vested during FY23	FY23 exercised (or shares received from exercising) ²	FY23 Restriction end	FY23 Purchased/ Other	FY23 Sold	Number held at close 2023	% of Holding Policy met ¹
		Number	Date granted	Number	Number	Number	Number	Number	Number	Number	Number	Percent
Michael Kavanagh	Unrestricted Shares	1,380,645	–	–	–	–	59,260	19,112	–	(245,000)	1,214,017	100%
	Restricted Shares	19,112	–	–	–	–	–	(19,112)	–	–	–	
	Vested Rights	20,900	–	–	–	30,010	–	–	–	–	50,910	
	Unvested Rights	318,978	18 Nov 22	253,785	(12,910)	(30,010)	–	–	–	–	529,843	
	Vested Options/SARS	785,789	–	–	–	–	(158,480)	–	–	–	627,309	
	Unvested Options/SARS	577,912	18 Nov 22	283,930	(178,914)	–	–	–	–	–	682,928	
McGregor Grant	Unrestricted Shares	703,202	–	–	–	–	74,101	5,451	–	(457,754)	325,000	100%
	Restricted Shares	5,451	–	–	–	–	–	(5,451)	–	–	–	
	Vested Rights	–	–	–	–	11,009	–	–	–	–	11,009	
	Unvested Rights	98,714	6 Dec 22 18 Oct 22	69,407 9,993	(3,462)	(11,009)	–	–	–	–	163,643	
	Vested Options/SARS	170,187	–	–	–	–	(170,187)	–	–	–	–	
	Unvested Options/SARS	169,737	6 Dec 22	84,975	(47,975)	–	–	–	–	–	206,737	
Steven Farrugia	Unrestricted Shares	6,359	–	–	–	–	49,226	5,994	–	(49,226)	12,353	100%
	Restricted Shares	5,994	–	–	–	–	–	(5,994)	–	–	–	
	Vested Rights	48,955	–	–	–	10,196	(13,372)	–	–	–	45,779	
	Unvested Rights	100,790	6 Dec 22 18 Oct 22	68,810 12,328	(9,683)	(10,196)	–	–	–	–	162,049	
	Vested Options/SARS	127,259	–	–	–	–	(66,337)	–	–	–	60,922	
	Unvested Options/SARS	139,284	6 Dec 22	84,243	(22,365)	–	–	–	–	–	201,162	
David Morris	Unrestricted Shares	3,229	–	–	–	–	–	6,136	–	–	9,365	100%
	Restricted Shares	6,136	–	–	–	–	–	(6,136)	–	–	–	
	Vested Rights	66,747	–	–	–	11,464	–	–	–	–	78,211	
	Unvested Rights	106,658	6 Dec 22 18 Oct 22	74,403 8,072	(3,800)	(11,464)	–	–	–	–	173,869	
	Vested Options/SARS	81,116	–	–	–	–	–	–	–	–	81,116	
	Unvested Options/SARS	184,757	6 Dec 22	91,091	(52,652)	–	–	–	–	–	223,196	
Rod Lopez	Unrestricted Shares	2,256	–	–	–	–	–	5,994	–	–	8,250	100%
	Restricted Shares	5,994	–	–	–	–	–	(5,994)	–	–	–	
	Vested Rights	40,636	–	–	–	10,392	–	–	–	–	51,028	
	Unvested Rights	93,369	6 Dec 22 18 Oct 22	67,109 11,969	(3,228)	(10,392)	–	–	–	–	158,827	
	Vested Options/SARS	68,835	–	–	–	–	–	–	–	–	68,835	
	Unvested Options/SARS	159,983	6 Dec 22	82,161	(44,729)	–	–	–	–	–	197,415	
Totals		5,498,984	N/A	1,202,276	(379,718)	–	(225,789)	–	–	(751,980)	5,343,773	N/A

1. The % of holding policy met is determined in accordance with the Share Ownership Policy. If shareholding interests' equal or exceed the previous year's base salary, the minimum shareholding requirement is 100% met.

2. Exercised at nil exercise price.

Other than as disclosed above, there were no other equity transactions including purchase or sales of shares by KMP during the year.

Remuneration report

7 Statutory tables and disclosures continued

The following outlines changes in non-executive director equity interests during FY23:

Name	Instrument	Held at open Number	FY23 Purchased/ other Number	FY23 Sold Number	Held at close Number	% of Holding policy met ¹ Percent
Steven Sargent	Shares	123,400	—	—	123,400	100%
Geoff Wilson	Shares	28,487	—	—	28,487	100%
David Fisher	Shares	413,940	—	(110,000)	303,940	100%
Marie McDonald	Shares	31,500	—	—	31,500	100%
Lisa McIntyre	Shares	16,351	5,000	—	21,351	100%
Maurie Stang ²	Shares	19,031,717	—	—	19,031,717	100%
Totals		19,645,395	5,000	(110,000)	19,540,395	

1. The % of holding policy met is determined in accordance with the Share Ownership Policy. If shareholding interests' equal or exceed the previous year's board fees, the minimum shareholding requirement is 100% met.

2. Includes shares held by a close family member.

The following outlines potential future costs of equity remuneration granted during FY23 for Executive KMP:

Name	Plan	Grant date	Vesting date	Expiry date	Exercise price \$	Fair value \$	Total value awarded ¹ \$	Total fair value at grant ² \$	Value expensed in FY23 \$	Maximum value to be expensed in future years \$
Michael Kavanagh	2022 LTI PRs	18 Nov 22	30 Sep 25	30 Sep 29	—	4.58	960,820	1,062,166	163,307	898,859
	2022 LTI SARs	18 Nov 22	30 Sep 25	30 Sep 29	4.143	1.85	480,410	525,271	161,520	363,751
	FY22 STI SRs	18 Nov 22	31 Aug 23	30 Sep 27	—	4.58	90,612	100,169	50,625	7,725
McGregor Grant ³	2022 LTI PRs	06 Dec 22	30 Sep 25	30 Sep 29	—	4.82	287,553	334,542	—	—
	2022 LTI SARs	06 Dec 22	30 Sep 25	30 Sep 29	4.143	2.05	143,778	174,199	—	—
	FY22 STI SRs	18 Oct 22	31 Aug 23	30 Sep 27	—	3.82	41,401	38,173	16,122	2,944
Steven Farrugia	2022 LTI PRs	06 Dec 22	30 Sep 25	30 Sep 29	—	4.82	285,080	331,664	50,993	280,671
	2022 LTI SARs	06 Dec 22	30 Sep 25	30 Sep 29	4.143	2.05	142,539	172,698	53,104	119,594
	FY22 STI SRs	18 Oct 22	31 Aug 23	30 Sep 27	—	3.82	51,075	47,093	19,890	3,632
David Morris	2022 LTI PRs	06 Dec 22	30 Sep 25	30 Sep 29	—	4.82	308,252	358,622	55,138	303,484
	2022 LTI SARs	06 Dec 22	30 Sep 25	30 Sep 29	4.143	2.05	154,126	186,737	57,421	129,316
	FY22 STI SRs	18 Oct 22	31 Aug 23	30 Sep 27	—	3.82	33,442	30,835	13,024	2,378
Rod Lopez	2022 LTI PRs	06 Dec 22	30 Sep 25	30 Sep 29	—	4.82	278,033	323,465	49,732	273,733
	2022 LTI SARs	06 Dec 22	30 Sep 25	30 Sep 29	4.143	2.05	139,016	168,430	51,792	116,638
	FY22 STI SRs	18 Oct 22	31 Aug 23	30 Sep 27	—	3.82	49,588	45,722	23,889	3,526
Totals							3,445,725	3,899,786	766,557	2,506,251

1. The total value awarded is calculated in reference to the value of the LTI award (determined as the LTI entitlement rate % multiplied by current year TFR) and the 50% deferred component of the FY22 STI.

2. Total fair value at grant is calculated as the number of equity instruments issued multiplied by the accounting fair value per options or rights at grant date.

3. The CFO & Company Secretary, McGregor Grant will be leaving the Company on 31 August 2023. The 2022 LTI award will be forfeited on the last day of employment (31 August 2023) therefore there is no values expensed in FY23.

Remuneration report

7 Statutory tables and disclosures continued

7.4 KMP service agreements

7.4.1 Executive KMP

The following outlines current Executive KMP service agreements:

Name	Duration of contract	Period of notice		Termination payments ¹
		By company	By KMP	
Michael Kavanagh	On-going employment until notice is given by either party.	nine months' written notice	nine months' written notice	By Nanosonics: All unvested LTI benefits are forfeited and a pro-rata portion of the unvested STI is paid to the period up to the date of termination. All vested but unexercised STI or LTI benefits are forfeited (immediately or after 30 days subject to the terms of the award) following cessation of employment. By KMP: All unvested STI or LTI benefits are forfeited and a prorated portion of the unvested STI are paid to the period up to the date of termination. All vested but unexercised STI or LTI benefits are forfeited (immediately or after 30 days, subject to the terms of the award) following cessation of employment.
McGregor Grant		four months' written notice	four months' written notice	All unvested STI or LTI benefits are forfeited and all vested but unexercised STI or LTI benefits are forfeited (immediately or after 30 days subject to the terms of the award) following cessation of employment.
Steven Farrugia		three months' written notice	three months' written notice	All unvested STI or LTI benefits are forfeited and all vested but unexercised STI or LTI benefits are forfeited (immediately or after 30 days subject to the terms of the award) following cessation of employment.
David Morris		six months' written notice	six months' written notice	All unvested STI or LTI benefits are forfeited. All vested but unexercised STI or LTI benefits are forfeited (immediately or after 30 days subject to the terms of the award) following cessation of employment.
Rod Lopez		three months' written notice	three months' written notice	All unvested STI or LTI benefits are forfeited. All vested but unexercised STI or LTI benefits are forfeited (immediately or after 30 days subject to the terms of the award) following cessation of employment.

1. Regardless of the foregoing, the Termination Benefit Limit specified in the Corporations Act applies to all those listed, unless prior approval of shareholders to exceed that limit has been obtained.

7.4.2 Non-executive Directors

On appointment to the Board, each NED enters into an agreement with the Company in the form of a letter of appointment. The letter summarises the Board's policies and terms, including compensation relevant to the office of the Director. NEDs are not eligible to receive termination payments under the terms of their appointment.

7.5 Loans and transactions with KMP

7.5.1 Loans to KMP and their related parties

During the financial year and to the date of this report, the Group made no loans to Directors and other KMP and none were outstanding as at 30 June 2023 (2022: Nil).

Remuneration report

7 Statutory tables and disclosures continued

7.5.2 Other transactions with KMP

Certain Directors and KMP, or their personally-related entities (Related Parties), hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the FY22 and FY23 reporting periods. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with unrelated entities on an arms-length basis.

Director fees for Maurie Stang were paid through his personally-related management entity up until 18 November 2022, when he retired as a Director of Nanosonics Limited.

Maurie Stang is related to Regional Healthcare Group Pty Ltd and following his retirement as a Director of Nanosonics Limited, this entity ceased to be a related party from 18 November 2022. The transactions with Regional Healthcare Group Pty Ltd during the year up until 18 November 2022 comprised sale of products and services of \$2,331,620 (30 June 2022: \$3,959,462) and purchase of goods and services of \$61,338 (30 June 2022: \$1,784).

As at 30 June 2023, \$5,940 is included in trade and other receivables relating to transactions that occurred with Regional Healthcare Group Pty Ltd up until 18 November 2022.

There were no other amounts due from or to other Related Parties. There were no provisions for impaired receivables in relation to any outstanding balances from Related Parties (2023: Nil) and no expense has been recognised during the period in respect of impaired receivables due from Related Parties.

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

Outstanding balances are unsecured and are repayable in cash.

8 Governance

This section describes the role of the Board, the Remuneration, People and Culture Committee and the use of remuneration consultants when making remuneration decisions.

8.1 Role of the Board and the Remuneration, People and Culture Committee

The Board is responsible for Nanosonics' remuneration strategy and policy and has established a Remuneration, People and Culture Committee which is chaired by an independent Director with a majority of independent Directors. Members of the RPC are shown in section 2.

The role and responsibilities of the RPC are set out in its Charter, which was last reviewed and approved by the Board in December 2022. The RPC's role and its relationship with the Board, internal and external advisors is illustrated below.



Further information on the Remuneration, People and Culture Committee's role, responsibilities and membership is contained in the Corporate Governance Statement. The Remuneration, People and Culture Committee Charter and the Corporate Governance Statement can be viewed in the Corporate Governance section of Nanosonics' website at www.nanosonics.com.

Remuneration report

8 Governance continued

8.2 Remuneration advisors

As appropriate, the Board and Remuneration, People and Culture Committee obtain and consider advice directly from Guerdon Associates, external remuneration advisors, who are independent of management.

The Board adopts practices in accordance with the Corporations Act 2001 to ensure that any advice received from Guerdon Associates is free from undue influence of the KMP about whom the advice may relate.

There were no 'remuneration recommendations', as defined in the Corporations Act 2001, made during the FY23 reporting period.

8.3 Board Discretion, Malus and Clawback policy

The Board, generally on the recommendation of the RPC, has the power to determine remuneration outcomes for senior executives¹. This includes the power to exercise its discretion to adjust the STI and LTI outcomes to the extent this is permitted by the employee share plan rules, if the Board considers that those outcomes do not fairly reflect performance or shareholder experience. The Company also has a policy that gives the Board discretion to clawback or reduce STI or LTI awards if it becomes aware of circumstances that have resulted in an unfair benefit to the Executive KMP, including as a result of a material misstatement of the Group's financial statements or misconduct of an Executive KMP. The Malus and Clawback policy is available on Nanosonics' website, www.nanosonics.com under Investor Centre, Corporate Governance.

Further, prior to determination of variable remuneration outcomes or vesting, the Remuneration, People and Culture Committee receives a recommendation from the Audit & Risk Committee in relation to risk management (financial and non-financial) and compliance by Executive KMP during the year to determine whether any adjustments should be made to remuneration outcomes. The discussions held at the Audit & Risk Committee also inform any exercise of discretion concerning application of any clawback.

Under the STI and LTI Rules, the Board has absolute discretion in relation to determining what constitutes an "unfair or inappropriate benefit" and how to apply the clawback, subject to compliance with the law and the conditions set out in this Policy. This discretion can be applied at any time.

The Board is committed to transparency regarding the application of its discretion in relation to each of these matters for FY23. The Board did not exercise any downward or upward discretion in relation to the above matters for FY23.

8.4 Securities Trading Policy

Under the Nanosonics Limited Securities Trading Policy and in accordance with the Corporations Act, securities granted under Nanosonics' equity variable remuneration schemes must remain at risk until vested, or until exercised, if options or performance rights. No schemes may be entered into by an individual or their associates that specifically protects the unvested value of shares, rights or options.

KMP are not permitted to deal at any time in financial products such as options, warrants, futures or other financial products issued over Nanosonics' securities by third parties such as banks and other institutions without the prior approval of the Board. An exception may apply where the securities form a component of a listed portfolio or index product.

KMP are not permitted to enter into transactions in products associated with the securities which operates to limit the economic risk of their security holding in the Company (e.g. hedging arrangements), without the prior approval of the Board.

Nanosonics, as required under the ASX Listing Rules, has a formal policy setting out how and when employees, including KMPs of Nanosonics Limited, may deal in Nanosonics securities. A copy of the Company's Securities Trading Policy is available on Nanosonics' website, www.nanosonics.com under Investor Centre, Corporate Governance.

1. The Remuneration, People and Culture Committee Charter (December, 2022).

Content of the financial statements

For the year ended 30 June 2023

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Auditor's independence declaration



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working world

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Auditor's independence declaration to the directors of Nanosonics Limited

As lead auditor for the audit of the financial report of Nanosonics Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Nanosonics Limited and the entities it controlled during the financial year.

Ernst and Young

Ernst & Young

Vida Virgo

Vida Virgo
Partner
22 August 2023

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Revenue	2.2	165,993	120,320
Cost of sales		(35,348)	(28,415)
Gross profit		130,645	91,905
Selling and general expenses		(60,949)	(47,880)
Administration expenses		(23,705)	(20,283)
Research and development expenses		(29,514)	(22,358)
Other income	2.3	1,317	457
Other gains/(losses) – net	2.5	1,841	(59)
Results from operating activities		19,635	1,782
Finance income – interest		2,732	353
Finance expense		(771)	(557)
Net finance income/(expense)		1,961	(204)
Operating income before income tax		21,596	1,578
Income tax (expense)/benefit	3.1	(1,713)	2,164
Net income after income tax expense attributable to owners of the parent entity		19,883	3,742
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on foreign currency translation		(2,037)	(1,430)
Effective portion of changes in fair value of cash flow hedges		1,487	(2,031)
Income tax on items of other comprehensive (loss)/income		(446)	609
Total other comprehensive loss		(996)	(2,852)
Total comprehensive income for the year attributable to owners of the parent entity		18,887	890
Earnings per share information:			
		Cents	Cents
Basic earnings per share	2.6(a)	6.60	1.24
Diluted earnings per share	2.6(b)	6.49	1.22

The notes on pages 68 to 99 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	6.1	112,159	94,512
Trade and other receivables	6.2	38,754	27,878
Inventories	7.1	25,490	22,615
Derivative financial instruments	6.3	360	—
Cost to obtain customer contracts	5.1	385	241
Income tax receivable		—	64
Prepayments and other current assets		4,473	5,430
Total current assets		181,621	150,740
Non-current assets			
Property, plant and equipment	7.2	12,733	11,722
Right-of-use assets	7.3	9,762	10,858
Intangible assets	7.4	96	217
Net deferred tax assets	3.2	14,452	13,336
Derivative financial instruments	6.3	841	1
Cost to obtain customer contracts	5.1	345	212
Other non-current assets		70	72
Total non-current assets		38,299	36,418
Total assets		219,920	187,158
Liabilities			
Current liabilities			
Trade and other payables	6.4	10,842	9,582
Lease liabilities	6.5	2,882	2,554
Income taxes payable		2,126	758
Contract liabilities	5.1	7,796	6,383
Employee benefits liabilities	4.2	7,654	6,495
Provisions	7.5	629	584
Derivative financial instruments	6.3	1,103	2,288
Total current liabilities		33,032	28,644
Non-current liabilities			
Lease liabilities	6.5	7,838	9,158
Contract liabilities	5.1	13,913	9,665
Employee benefits liabilities	4.2	473	457
Provisions	7.5	30	—
Derivative financial instruments	6.3	774	543
Total non-current liabilities		23,028	19,823
Total liabilities		56,060	48,467
Net assets		163,860	138,691
Equity			
Contributed equity	9.1(a)	114,211	113,855
Reserves		24,907	19,977
Retained earnings		24,742	4,859
Total equity		163,860	138,691

The notes on pages 68 to 99 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Contributed equity \$'000	Reserves			Total reserves \$'000	Retained earnings \$'000	Total equity \$'000
		Share-based payments \$'000	Foreign currency translation \$'000	Hedging \$'000			
At 30 June 2021	113,539	21,253	(712)	371	20,912	1,117	135,568
Profit for the period	—	—	—	—	—	3,742	3,742
Other comprehensive income/(loss)	—	—	(1,430)	(2,031)	(3,461)	—	(3,461)
Income tax on item of other comprehensive income	—	—	—	609	609	—	609
Total comprehensive income	—	—	(1,430)	(1,422)	(2,852)	3,742	890
Transaction with owners in their capacity as owners							
Issue of shares under employee share plans	316	—	—	—	—	—	316
Share-based payments	—	2,819	—	—	2,819	—	2,819
Income tax on share-based payments	—	(902)	—	—	(902)	—	(902)
At 30 June 2022	113,855	23,170	(2,142)	(1,051)	19,977	4,859	138,691
At 1 July 2022	113,855	23,170	(2,142)	(1,051)	19,977	4,859	138,691
Profit for the period	—	—	—	—	—	19,883	19,883
Other comprehensive income/(loss)	—	—	(2,037)	1,487	(550)	—	(550)
Income tax on item of other comprehensive income	—	—	—	(446)	(446)	—	(446)
Total comprehensive income	—	—	(2,037)	1,041	(996)	19,883	18,887
Transaction with owners in their capacity as owners							
Issue of shares under employee share plans	356	—	—	—	—	—	356
Share-based payments	—	5,460	—	—	5,460	—	5,460
Income tax on share-based payments	—	466	—	—	466	—	466
At 30 June 2023	114,211	29,096	(4,179)	(10)	24,907	24,742	163,860

The notes on pages 68 to 99 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST/VAT)		169,983	130,706
Payments to suppliers and employees (inclusive of GST/VAT)		(147,154)	(123,040)
Interest received		1,748	307
Income taxes paid		(1,263)	(1,278)
Net cash provided by operating activities	6.1(ii)	23,314	6,695
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,566)	(6,787)
Purchase of intangible assets		(5)	(179)
Proceeds from disposal of property, plant and equipment		30	64
Net cash used in investing activities		(3,541)	(6,902)
Cash flows from financing activities			
Repayment of lease liabilities		(2,723)	(2,035)
Interest paid on lease liabilities		(345)	(254)
Proceeds from issue of shares under employee share plans		356	316
Net cash used in financing activities		(2,712)	(1,973)
Net increase/(decrease) in cash and cash equivalents		17,061	(2,180)
Cash and cash equivalents at the beginning of the financial year		94,512	96,027
Effect of exchange rate changes on cash and cash equivalents		586	665
Cash and cash equivalents at the end of the financial year	6.1(i)	112,159	94,512

The notes on pages 68 to 99 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2023

1 General accounting policies

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

1.1 Reporting entity

Nanosonics Limited (the Company or Parent Entity) is a listed public company, limited by shares, incorporated and domiciled in Australia. The consolidated financial statements of the Company, as at and for the year ended 30 June 2023, comprise the Company and its subsidiaries (together referred to as Nanosonics, the Group or the Consolidated Entity).

Nanosonics Limited is a for-profit entity for the purpose of preparing the financial statements. A description of the nature of the Group's operations and its principal activities is included in the Financial and Operational Review on pages 8 to 19 of this Annual Report and in the Directors' report on pages 34 to 39.

1.2 Basis of preparation

a) Statement of compliance

The Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB) and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Board of Directors approved the consolidated financial statements on 22 August 2023.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities, including derivative instruments which are measured at fair value.

c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of the subsidiaries are included in the financial statements from the date the control commences until the date that control ceases. Information on subsidiaries is contained in Note 10.3 to the financial statements.

Transactions eliminated on consolidation

In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated in full.

d) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is Nanosonics Limited's functional and presentation currency.

e) Foreign currency

Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of the entities using the exchange rates that approximate the actual exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities are recognised in the profit and loss statement as part of the fair value gain or loss.

Notes to the consolidated financial statements continued

1 General accounting policies continued

Financial statements of foreign operations

The results and financial position of foreign operations are translated into the Company's functional and presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each profit and loss statement are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income – foreign currency translation reserve.

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, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale, where applicable.

f) Use of judgements and estimates

The preparation of financial statements in conformity with AASB/IFRS requires management to exercise judgement and make estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities are included in the following notes:

- Note 3.2: Deferred taxes
- Note 4.3: Share-based payments
- Note 5.1: Contract balances
- Note 7.1: Inventories

g) Goods and services tax (GST), Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST or VAT as applicable, unless the GST/VAT incurred is not recoverable from the taxation authority, in which case the GST/VAT 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/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included with other current receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST/VAT 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.

h) Rounding

The Company is of a kind referred to in ASIC Instrument 2016/191 issued in 2016, and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest one thousand dollars (\$'000), unless otherwise stated.

Notes to the consolidated financial statements continued

2 Performance for the year

2.1 Revenue from customer contracts

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, entities are required to exercise judgement in developing revenue recognition policies, taking into consideration all the relevant facts and circumstances when applying each step of the model.

Revenue from contracts with customers is recognised when the control of goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Sale of goods

The Group's sales of goods consist of the sale of capital equipment which includes the sale of trophon®2 and related accessories, and the sale of consumables and spare parts. Revenue is recognised at a point in time when the Group has delivered goods to its customers, and it is probable that consideration will be collected in exchange. Revenue is measured on the consideration expected to be received, net of trade rebates and discounts paid. If the contract includes variable consideration, the variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Some contracts for the sale of goods provide customers with volume rebates which give rise to variable consideration.

The Group provides retrospective volume rebates to certain customers once certain contracted thresholds have been achieved. Rebates are offset against amounts receivable from the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with multi-tiered thresholds. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

The Group then applies the requirements on constraining estimates of variable consideration and recognises an offset against trade and other receivables for the expected future rebates.

Rental revenue

Rental revenue is recognised overtime on a straight-line basis for the term of the contract. Rental revenue is included in Capital revenue.

Service

The Group's sale of services is recognised using a proportionate fair value method based on relative standalone selling prices.

Service contracts have separately identifiable performance obligations that are either provided at a point in time or over time.

Revenue from the sale of services is recognised when the distinct performance obligation is fulfilled or over the time period to which that performance obligation relates has elapsed.

Financing component

The timing between upfront consideration received and the fulfilment of services gives rise to a financing component. Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Some customers purchase service contracts up-front or enter into multi-period service contracts resulting in the Group holding the payment greater than 12 months in advance of revenue recognition. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Foreign exchange

The accounting policy for foreign exchange gains arising from hedges of forecast sales transactions is set out in Note 6.3.

2.2 Segment information

Operating segment

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer & President (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Group operates in a single operating segment, being the healthcare equipment segment. Accordingly, the Group's consolidated total assets are the total reportable assets of the operating segment.

Types of products and services

The principal products and services of the healthcare equipment segment are the manufacture and commercialisation of infection control and decontamination products and related technologies.

Notes to the consolidated financial statements continued

2 Performance for the year continued

Major customers

The group has a number of customers to which it provides products and services. The most significant customer, GE Healthcare (worldwide), accounts for approximately 4.1% of external revenue (2022: 41%). The next most significant customer, Regional Healthcare Group Pty Ltd, accounts for approximately 3.3% of external revenue (2022: 3.3%).

Geographical information

Geographically, the Group operates globally. Australia is the home country of the parent entity. Revenues are allocated based on the country in which the customer is located. Revenue from external customers by geographical location is detailed below.

	North America \$'000	Europe and Middle East \$'000	Asia Pacific \$'000	Total \$'000
For the year ended 30 June 2023				
Capital revenue before hedging	49,563	1,919	3,336	54,818
Foreign exchange loss on hedged sales	(617)	—	—	(617)
Total capital revenue	48,946	1,919	3,336	54,201
Consumables and spare parts	88,065	5,319	2,354	95,738
Service	14,246	910	1,803	16,959
Foreign exchange loss on hedged sales	(905)	—	—	(905)
Total consumables and service revenue	101,406	6,229	4,157	111,792
Total revenue	150,352	8,148	7,493	165,993
At a point in time	144,879	7,869	6,972	159,720
Over time	5,473	279	521	6,273
For the year ended 30 June 2022				
Capital revenue before hedging	33,540	2,081	1,932	37,553
Foreign exchange gain on hedged sales	105	—	—	105
Total capital revenue	33,645	2,081	1,932	37,658
Consumables and spare parts	62,629	4,828	2,309	69,766
Service	10,164	609	1,636	12,409
Foreign exchange gain on hedged sales	487	—	—	487
Total consumables and service revenue	73,280	5,437	3,945	82,662
Total revenue	106,925	7,518	5,877	120,320
At a point in time	102,762	7,339	5,341	115,442
Over time	4,163	179	536	4,878

For the purpose of this note, non-current assets consist of property, plant and equipment, intangible assets and other non-current assets, excluding net deferred tax asset and derivative financial instruments. Assets and capital expenditure are allocated based on where the assets are located.

The analysis of non-current assets is detailed below:

	2023 \$'000	2022 \$'000
North America	3,621	2,931
Europe and Middle East	1,245	1,050
Asia Pacific	18,140	19,099
Total	23,006	23,080

Notes to the consolidated financial statements continued

2 Performance for the year continued

2.3 Other income

The Company entered into an agreement with Investment New South Wales under the NSW Jobs Plus Program (the Program), effective July 2021. Under the Program, the Company is committing to create over 100 new jobs in NSW between 2 July 2021 and 30 June 2024. Subject to creating the agreed number of new jobs, Nanosonics will receive milestone payments to support creating new jobs, which include payroll tax and training rebate as well as the costs of fitting out new manufacturing, research & development laboratory and office facilities.

Grant revenue received under the Program will be recognised systematically as the Company recognises related costs as expenses in line with AASB120 Accounting for Government Grant.

Other income for the period of \$1,317,000 (2022: 457,000) includes \$1,306,000 (2022: \$238,000) in relation to the Program. As at 30 June 2023, the Company also recognised accrued grant income of \$2,537,000 (2022: 3,258,000) (included in Trade and other receivables) and a corresponding contract liability of \$3,189,000 (2022: \$3,020,000) (included in Contract liability) based on expenditure incurred associated with the new manufacturing and research & development laboratory facilities. As the infrastructure rebate relates to a depreciable asset, this will be recognised as income over the periods and in proportions in which depreciation on those assets is charged.

2.4 Individually significant items

The profit from ordinary activities before income tax includes the following expenses:

	2023 \$'000	2022 \$'000
Depreciation, amortisation and impairment included in:		
Cost of sales	627	564
Selling and general expenses	3,756	3,807
Administration expenses	570	481
Research and development expenses	2,183	875
Total depreciation, amortisation and impairment	7,136	5,727

2.5 Other gains/(losses) – net

Foreign exchange gains and losses are recognised in accordance with the accounting policy at Note 1.2(e). Gains or losses on derivative financial instruments are recognised in accordance with the accounting policy referred to in Note 6.3.

	2023 \$'000	2022 \$'000
Realised loss on derivative financial instruments	(334)	(1,579)
Unrealised loss on derivative financial instruments	(661)	(1,329)
Net foreign exchange gain	2,881	2,879
Net gain/(loss) on foreign currency	1,886	(29)
Loss on disposal of fixed assets	(45)	(30)
Total other gains/(losses) – net	1,841	(59)

Notes to the consolidated financial statements continued

2 Performance for the year continued

2.6 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to equity holders of the Company for the reporting period by the weighted average number of ordinary shares of the Company outstanding during the financial year.

Diluted EPS adjusts the figures used in the determination of Basic EPS 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.

	2023 Cents	2022 Cents
a) Basic earnings per share		
Basic earnings attributable to the ordinary equity holders of the Company	6.60	1.24
b) Diluted earnings per share		
Diluted earnings attributable to the ordinary equity holders of the Company	6.49	1.22
	2023 \$'000	2022 \$'000
c) Net earnings used in calculating earnings per share		
Net earnings after income tax expense attributable to shareholders	19,883	3,742
	2023 Number of shares	2022 Number of shares
d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	301,464,318	301,233,262
Adjustments for calculation of diluted earnings per share:		
Performance rights and options	4,828,389	4,370,719
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	306,292,707	305,603,981

2.7 Dividends

No dividends were proposed, declared or paid during the financial year and to the date of this report (2022: Nil).

	2023 \$'000	2022 \$'000
Franking credit balance		
Franking credits available for future financial periods (30% tax rate)	328	—

The above amount represents the franking account balance at the end of the period adjusted for franking credits that will arise from the payment of the income tax payable at the end of the period.

Notes to the consolidated financial statements continued

3 Income taxes

3.1 Income tax expense

The income tax expense or benefit for the period is the tax payable on or benefit attributable to the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses and adjustments in relation to prior periods. Current and any deferred tax utilised are recognised in the consolidated statement of profit or loss except to the extent that they relate to items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

The major components of income tax expense for the period are:

	2023 \$'000	2022 \$'000
Consolidated statement of profit or loss		
<i>Current tax</i>		
Current tax expense for the period	(18,131)	(10,605)
Adjustment relating to prior periods	211	(154)
<i>Deferred tax</i>		
Recognition and utilisation of deferred tax assets (net), including origination and reversal of temporary differences	16,085	12,923
Adjustment relating to prior periods	122	—
Income tax (expense)/benefit reported in the statement of profit or loss	(1,713)	2,164
Tax relating to item in other comprehensive loss		
Deferred tax (expense)/benefit recognised directly in other comprehensive loss relating to derivative financial instruments	(446)	609
Current tax benefit on share-based payments	120	31
Deferred tax benefit/(expense) on share-based payments	346	(933)
Tax benefit/(expense) charged to equity	466	(902)

Following an assessment of the operations of the Group for the year ended 30 June 2023, it has been determined that taxable profits will continue to be generated by the Australian entity and its subsidiaries in the US, Canada and the UK against which tax credits and future deductible temporary differences and partially recognised carried forward Canadian and UK tax losses will be utilised.

The net deferred tax assets of the Group as at 30 June 2023 amounted to \$14,452,000 (2022: \$13,336,000) as detailed in Note 3.2.

The reconciliation of profit before tax to income tax expense is as follows:

	2023 \$'000	2022 \$'000
Operating profit before tax from continuing operations	21,596	1,578
The prima facie income tax expense applicable to the operating profit is calculated at the Australian tax rate of 30% (2022: 30%)	(6,479)	(473)
Increase in income tax expense due to:		
Non-deductible expenses	(449)	(996)
Research and development	(8,443)	(6,707)
Net derecognition of deferred tax assets in foreign jurisdictions	(79)	(263)
Decrease in income tax expense due to:		
Other deductible expenses	379	231
Recognition of R&D tax credits in Australia	12,912	10,231
Effect of FX and tax rates in foreign jurisdictions	113	(13)
Adjustment relating to prior period	333	154
Income tax (expense)/benefit	(1,713)	2,164

Notes to the consolidated financial statements continued

3 Income taxes continued

3.2 Deferred taxes

Deferred income tax is calculated, 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.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses and tax credits only if it is probable that future taxable amounts will be available to utilise these temporary difference, losses and credits, and on the assumption that no adverse change will occur in income tax legislation enabling the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. These are reviewed at each reporting date.

Deferred tax asset and liabilities, if recognised, are classified as non-current assets and liabilities.

As at 30 June 2023, the net deferred tax asset recognised in the statement of financial position comprises:

	2023 \$'000	2022 \$'000
Deferred tax assets		
Future intercompany deductible expenses	5,494	4,538
Contract liabilities	4,234	3,022
Lease liabilities	2,878	3,277
Share-based payments	2,157	724
Employee benefits liabilities	2,010	1,621
Inventory provision	828	508
Patent costs	763	722
Capital allowances in foreign subsidiary tax jurisdiction	615	518
Tax losses in foreign subsidiary tax jurisdictions	515	316
Provisions for warranties and make good	317	175
Accrued expenses	239	457
Derivative financial instruments	202	849
Accrued interest and other income	196	—
Others	159	154
Non-refundable R&D tax credits	—	2,524
Unrealised foreign exchange losses	—	14
Total deferred tax assets	20,607	19,419
Deferred tax liabilities		
Property, plant and equipment	(3,088)	(2,849)
Right-of-use asset	(2,596)	(3,024)
Unrealised foreign exchange gains	(300)	—
Others	(171)	(138)
Accrued interest and other income	—	(72)
Total deferred tax liabilities	(6,155)	(6,083)
Net deferred tax assets	14,452	13,336

The Group offsets tax assets and liabilities only if it has legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority and incurred by the same legal entity.

Notes to the consolidated financial statements continued

3 Income taxes continued

As at 30 June 2023, the Group has unrecognised deferred tax assets in relation to its subsidiaries as follows:

	2023 \$'000	2022 \$'000
Estimated unrecognised tax losses carried forward:		
Unrecognised tax losses brought forward at the beginning of the period	8,073	6,701
Adjustment in respect of unrecognised tax losses carried forward relating to prior periods	1	(5)
Tax losses for the period related to non-Australia entities	2,338	1,806
Recognition of deferred tax assets on foreign tax losses	(1,378)	(429)
Estimated unrecognised tax losses carried forward at the end of the period	9,034	8,073
Potential tax benefit at 28.42% effective tax rate (2022: 24.76%)	2,568	1,999

The probability of recovery of unrecognised tax losses in relation to the subsidiaries is reviewed periodically.

4 Employee benefits

4.1 Staffing costs

Staffing costs included in the profit and loss statement consist of:

	2023 \$'000	2022 \$'000
Salaries and wages	51,295	43,741
Superannuation, pension and social security contribution	6,235	5,161
Bonuses and commissions	8,258	4,882
Leave benefits	4,597	3,962
Share-based payments	5,460	2,819
Payroll tax	2,169	1,689
Insurance premiums	2,188	1,623
Workers compensation costs	345	903
Termination benefits	632	474
Other employee benefits and staffing costs	3,519	3,141
Total staffing costs	84,698	68,395

The above staffing costs are included in the consolidated statement of profit or loss and other comprehensive income as follows:

Cost of sales	7,478	6,162
Selling and general expenses	44,298	34,573
Administration expenses	15,204	12,655
Research and development expenses	17,718	15,005
Total staffing costs	84,698	68,395

4.2 Employee benefits liabilities

i) Wages, salaries and annual leave

Liabilities for employee benefits, including wages, salaries and non-monetary benefits, and accumulated annual and other leave, represent present obligations resulting from employees' services provided to the reporting date. Employee benefits have been measured at the amounts expected to be paid when the liabilities are settled and are recognised in the provision for employee benefits. The liability is calculated on remuneration rates as at the reporting date, including related on-costs such as workers compensation insurance and payroll tax.

Notes to the consolidated financial statements continued

4 Employee benefits continued

ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

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 on corporate bonds at the reporting date with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The current portion of this liability includes the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

iii) Bonuses

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged and where there is a past practice that has created a constructive obligation.

iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement or end of employment contract date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Short-term and long-term classification of benefits

Benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service are classified as short-term employee benefits. Short-term employee benefits are accounted for on an undiscounted basis in the period in which the service is rendered. Long-term employee benefits are benefits that are not expected to be wholly settled within 12 months and are discounted, allowing for expected salary levels in the future period. Cash bonuses are classified as short-term employee benefits while annual leave and long service leave are long-term employee benefits.

Employee benefits liabilities as at the reporting date:

	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Provision for annual leave	3,448	—	3,448	3,186	—	3,186
Provision for long service leave	627	473	1,100	573	457	1,030
Provision for bonuses	3,579	—	3,579	2,736	—	2,736
Total employee benefit liabilities	7,654	473	8,127	6,495	457	6,952

4.3 Share-based payments

Share-based compensation benefits are equity-settled transactions provided to employees via the Nanosonics share-based compensation plans.

i) Share-based compensation plans

Nanosonics Omnibus Equity Plan

The Nanosonics Omnibus Equity Plan (NOEP) was adopted in November 2016 and was last approved by shareholders in November 2022. The NOEP allows the Board to issue a range of incentive awards with the purpose of providing competitive, performance-based remuneration in alignment with the interests of shareholders. The NOEP operates in accordance with the terms of the Nanosonics Omnibus Equity Plan Trust Deed, under which the trustee may subscribe for, or acquire, deliver, allocate or hold, shares for the benefit of the participants. Participants will be able to access the relevant taxation concessions available under the Income Tax Assessment Act 1997 (ITAA 1997).

Under the NOEP Plan, eligible employees (including Executive Directors, casual employees and certain contractors) may be offered shares in Nanosonics Limited (Exempt Share Awards and Salary Sacrifice Share Awards), Performance Share Awards, options or rights.

Participation in the NOEP is at the Board's discretion and no individual has a contractual right to participate in it or to receive any guaranteed benefits.

Notes to the consolidated financial statements continued

4 Employee benefits continued

Global Employee Share Plan

The Global Employee Share Plan (GESP) was adopted in November 2019 and was last approved by shareholders in November 2022. The GESP allows the Board to make offers to its employees, regardless of where they are located in the world, to encourage alignment between the Company's employees with the interests of shareholders. In particular, offers can be made to foreign employees in a manner that accommodates foreign legal and taxation requirements.

Under the GESP, eligible employees (full-time or part-time employees of a subsidiary of Nanosonics) may be offered the opportunity to acquire shares.

Under the GESP, regular contributions are made from a GESP participant's after-tax salary, which are then held in trust. At present, each GESP participant's gross contributions are limited to the lesser of 15% of the participant's annual gross remuneration or A\$25,000 each year. At the end of each six-month Offer Period, the contributions are used to subscribe for new shares for the GESP participant. The subscription price is determined by the Board but must not be less than 85% of the lower of the prevailing share price at the beginning and the end of the relevant Offer Period.

During the year, a total of 89,939 shares were acquired by GESP participants at an average price of \$3.96 per share.

ii) Exercise of rights and options

Rights and options are granted under the NOEP for no consideration and carry no dividend or voting rights. When exercisable, each performance right and option is convertible into one ordinary share that ranks equally with any other share on issue in respect of dividends and voting rights. The exercise prices of all rights and options issued to the date of this report were fixed on the dates the rights and options were granted.

Rights and options granted under the NOEP requires the holder to be an employee of the Company at the time the rights and options are exercised, except that they may be exercised, if vested, up to 30 days after voluntary termination of employment.

iii) Reconciliation of outstanding rights and options

The number and weighted average exercise price (WAEP) of rights and options under the share option plans were as follows:

	NOEP				ESOP				All plans	
	2023		2022		2023		2022		2023	2022
	Number of options and rights	WAEP \$	Number of options and rights	WAEP \$	Number of options and rights	WAEP \$	Number of options and rights	WAEP \$	Number of options and rights	Number of options and rights
Unexpired as at 1 July	5,792,730	3.54	4,825,225	3.46	—	—	—	—	5,792,730	4,825,225
Granted during the year	2,982,424	1.94	1,662,135	3.46	—	—	—	—	2,982,424	1,662,135
Exercised during the year	(739,522)	2.31	(416,248)	1.55	—	—	—	—	(739,522)	(416,248)
Forfeited during the year	(1,065,499)	4.94	(278,382)	4.66	—	—	—	—	(1,065,499)	(278,382)
Unexpired as at 30 June	6,970,133	2.77	5,792,730	3.54	—	—	—	—	6,970,133	5,792,730
Exercisable at 30 June	1,273,681	—	1,919,740	—	—	—	—	—	1,273,681	1,919,740

There were 739,522 (2022: 416,248) rights and options exercised in 2023. The weighted average share price based on the dates of the exercise was \$4.82 (2022: \$5.93). No rights or options expired during the periods covered by the above table.

Notes to the consolidated financial statements continued

4 Employee benefits continued

iv) Fair values

Fair values of performance rights and options granted

The assessed fair value on the date rights and options were granted was independently determined using an appropriate valuation model that takes into account relevant inputs, including the exercise price, the term of the right or option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right or option.

The inputs used in the measurement of the fair values are as follows:

Description	Vesting conditions	Exercise price \$	Grant date	Vesting date	Expiry date	Estimated share price at grant date \$	Expected price volatility of the Company's shares	Risk-free interest rate	Assessed fair value at grant date \$
Granted during the year:									
2022 STI – CEO	Service	—	18 Nov 22	31 Aug 23	31 Aug 27	4.58	48.20%	3.12%	4.58
2022 STI	Service	—	18 Oct 22	31 Aug 23	31 Aug 27	3.82	47.04%-52.89%	3.30%	3.82
2022 LTI SARs – CEO	iTSR	4.14	18 Nov 22	30 Sep 25	30 Sep 29	4.58	43.56%	3.45%	1.85
2022 LTI SARs	iTSR	4.14	6 Dec 22	30 Sep 25	30 Sep 29	4.82	43.99%-45.06%	3.22%-3.26%	2.05-2.06
2022 LTI PR – CEO	Underlying ROE	—	18 Nov 22	30 Sep 25	30 Sep 29	4.58	47.75%	3.27%	4.58
2022 LTI PR	Underlying ROE	—	6 Dec 22	30 Sep 25	30 Sep 29	4.82	48.70%-49.13%	3.09%-3.13%	4.82
2022 Special Award	Service	—	18 Oct 22	7 Nov 25	7 Nov 28	3.82	46.48%-46.69%	3.30%-3.45%	3.82
Granted in prior periods and outstanding at report date:									
2021 STI – CEO	Service	—	19 Nov 21	31 Aug 23	31 Aug 26	5.80	46.29%	0.55%	5.80
2021 STI	Service	—	3 Feb 22	31 Aug 23	31 Aug 26	5.05	42.64%-48.85%	0.80%	5.05
2021 LTI SARs – CEO	iTSR	6.83	19 Nov 21	30 Sep 24	30 Sep 28	5.80	42.98%	1.55%	1.64
2021 LTI SARs	iTSR	6.83	24 Jan 22	30 Sep 24	30 Sep 28	5.13	42.54%-42.85%	1.65%-1.71%	1.16-1.18
2021 LTI PR – CEO	Underlying ROE	—	19 Nov 21	30 Sep 24	30 Sep 28	5.80	44.42%	1.14%	5.80
2021 LTI PR	Underlying ROE	—	24 Jan 22	30 Aug 24	30 Sep 28	5.13	45.02%-47.59%	1.10%-1.37%	5.13
2020 STI Tranche 1	Service	—	4 Jan 21	31 Aug 21	31 Aug 24	8.25	39.45%	0.08%	8.25
2020 LTI PR	Underlying ROE	—	3 Mar 21	30 Sep 23	30 Sep 27	6.05	44.48%-46.77%	0.12%	6.05
2020 LTI PR – CEO	Underlying ROE	—	24 Nov 20	30 Sep 23	30 Sep 27	6.68	43.22%	0.11%	6.68
2020 LTI SARs	iTSR	6.04	3 Mar 21	30 Sep 23	30 Sep 27	6.05	43.13%-43.60%	0.70%	6.05
2020 LTI SARs – CEO	iTSR	6.04	24 Nov 20	30 Sep 23	30 Sep 27	6.68	43.21%	0.30%	6.68
2019 LTI - Tranche 1	Absolute CAGR ¹ TSR performance and service ²	—	9 Apr 20	30 Sep 22	30 Sep 25	6.17	45.29%	0.25%	2.81
2019 LTI Tranche 1 – CEO	Absolute CAGR TSR performance and service ²	—	9 Apr 20	30 Sep 22	30 Sep 25	7.23	41.81%	0.76%	4.06
2019 LTI Tranche 2	Absolute CAGR TSR performance and service ²	6.51	9 Apr 20	30 Sep 22	30-Sep-25	6.17	42.59%	0.25%	1.51
2019 LTI Tranche 2 – CEO	Absolute CAGR TSR performance and service ²	6.51	9 Apr 20	30 Sep 22	30 Sep 25	7.23	41.84%	0.76%	2.36
2019 STI Tranche 1	Service	—	18 Feb 20	31 Aug 20	31 Aug 23	6.89	47.17%	0.71%	6.89
2019 Special Award	Service	—	5 Nov 19	9 Sep 22	9 Sep 25	6.87	41.57%-41.65%	0.78%	6.87
2019 Special Award	Service	—	28 May 19	4 Mar 22	4 Mar 25	4.41	37.76%	1.12%	4.41
2018 LTIS Tranche 1 – CEO	Absolute CAGR TSR performance and service ²	3.44	9 Nov 18	30 Sep 21	30 Sep 24	3.21	41.09%	2.19%	0.80
2018 LTIS Tranche 1	Absolute CAGR TSR performance and service ²	3.44	4 Feb 19	30 Sep 21	30 Sep 24	3.46	40.09%	1.74%	0.86
2018 LTIS Tranche 2 – CEO	Absolute CAGR TSR performance and service ²	—	9 Nov 18	30 Sep 21	30 Sep 24	3.21	37.34%	2.19%	1.24
2018 LTIS Tranche 2	Absolute CAGR TSR performance and service ²	—	4 Feb 19	30 Sep 21	30 Sep 24	3.46	37.63%	1.74%	1.41

Notes to the consolidated financial statements continued

4 Employee benefits continued

Description	Vesting conditions	Exercise price \$	Grant date	Vesting date	Expiry date	Estimated share price at grant date \$	Expected price volatility of the Company's shares	Risk-free interest rate	Assessed fair value at grant date \$
2018 Deferred STI	Service	—	22 Nov 18	31 Aug 19	31 Aug 22	2.97	37.34%	2.14%	2.97
2017 LTIS Tranche 1 & 2	Relative TSR performance and service	—	9 Feb 18	31 Aug 20	31 Aug 23	2.67	34.00%	2.10%	1.75-1.95
2017 LTIS Tranche 1 & 2 – CEO	Relative TSR performance and service	2.38	3 Nov 17	31 Aug 20	31 Aug 23	2.81	35.00%	2.10%	1.00-1.02
2017 LTIS Tranche 1 & 2	Relative TSR performance and service	2.38	9 Feb 18	31 Aug 20	31 Aug 23	2.67	35.00%	2.30%	0.79-0.84
2016 LTIS Tranche 1 & 2	Relative TSR performance and service	2.85	5 Jan 17	31 Aug 19	31 Aug 22	3.07	35.80%	2.00%	0.98-1.00
2016 LTIS Tranche 3	Pre-tax EPS and service	2.85	5 Jan 17	31 Aug 19	31 Aug 22	3.07	35.80%	2.00%	1.05

1. CAGR – Compounded annual growth rate.

2. Subject to accretive PBT gate.

The Monte Carlo valuation model is used to assess LTI performance rights and options with market-based performance conditions, whereas the Black-Scholes valuation model is used to assess all other performance rights and options. The inputs used in the valuation models for expected dividend yield for all performance rights and options above is 0.00%.

v) Recognition of expenses

Recognition of expense of rights and options granted

The fair value of rights and options granted is recognised as an employee expense with a corresponding increase in equity, on a straight-line monthly basis over the vesting period in which the performance and/or service conditions are fulfilled after which the employees become unconditionally entitled to them. The cumulative expense recognised for share-based payments at each reporting date until the vesting date reflects the extent to which the vesting period has ended and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were \$5,460,000 (2022: \$2,819,000).

During the financial year there were no shares directly granted under the NOEP (2022: Nil).

vi) Summary of shares held by the trustee

Shares issued on the exercise of rights, options granted to employees and shares purchased under the deferred salary sacrifice share scheme are initially held by the trustee of the NOEP or ESOP, Certane CT Pty Ltd.

A reconciliation of shares held by the trustee of the NOEP and ESOP is as follows:

	2023 Number of shares	2022 Number of shares
Employee shares on issue at 1 July	816,040	805,662
Issued on exercise of performance rights and options during the year	739,522	416,248
Shares purchased by the trustee under the deferred salary sacrifice share scheme	24,660	29,925
Withdrawn during the year	(663,545)	(435,795)
Employee shares on issue at 30 June	916,677	816,040

Notes to the consolidated financial statements continued

5 Assets and liabilities related to contracts with customers and government grants

5.1 Contract balances

The Group's accounting policy relating to trade and other receivables is detailed in Note 6.2.

Costs to obtain customer contracts include sales commissions paid to employees and are amortised over the customer contract period.

Costs to obtain customer contracts expected to be amortised within 12 months of the reporting period are classified as current.

Assets related to contracts with customers are as follows:

	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Trade and other receivables	38,754	—	38,754	27,878	—	27,878
Cost to obtain customer contracts	385	345	730	241	212	453
Total assets related to contracts with customers	39,139	345	39,484	28,119	212	28,331

Contract liabilities are the obligation to transfer goods and services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. Contract liabilities expected to be realised within 12 months of the reporting period are classified as current.

Liabilities related to contracts with customers are as follows:

	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Government grant liability	878	2,311	3,189	648	2,372	3,020
Contract liabilities	6,918	11,602	18,520	5,735	7,293	13,028
Total liabilities related to contracts with customers and government grants	7,796	13,913	21,709	6,383	9,665	16,048

The revenue recognised that was included in the contract liability balance at the beginning of the period was \$6,383,000 (2022: \$3,551,000).

6 Financial assets and financial liabilities

6.1 Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments presented at market value that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

i) Cash and cash equivalents

Cash and cash equivalents at the reporting date as shown in the consolidated statements of cash flows and financial position are as follows:

	2023 \$'000	2022 \$'000
Cash at bank and on hand	21,835	19,676
Deposit on call	1,842	2,086
Short-term deposits	88,482	72,750
Total cash and cash equivalents	112,159	94,512

Cash term investments which are highly liquid irrespective of their maturity dates are classified as current assets at market value as they may not necessarily be held by the Company for their full term.

The Group's exposure to interest rate risk is discussed in Note 8(a)(ii). The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Notes to the consolidated financial statements continued

6 Financial assets and financial liabilities continued

ii) Reconciliation of profit before income tax to net cash inflow from operating activities

	2023 \$'000	2022 \$'000
Operating profit before income tax	21,596	1,578
<i>Adjustment for:</i>		
Depreciation, amortisation and impairment	7,136	5,727
Share-based payments expense	5,460	2,819
Lease costs	345	254
Loss on disposal of fixed assets	45	30
Income tax paid	(1,263)	(1,278)
Unrealised gain on foreign exchange movements	(4,230)	(2,478)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(8,998)	4,224
Increase in inventories	(3,012)	(10,745)
(Increase)/decrease in financial instruments	(668)	2,591
Decrease/(increase) in other current assets	97	(1,833)
Increase in other non-current assets	(1)	(6)
Increase in trade and other payables	1,256	2,251
Increase in deferred revenue	4,378	3,174
Increase in employee benefit liabilities	1,098	359
Increase in provisions	75	28
Net cash provided by operating activities	23,314	6,695

iii) Credit standby arrangements unused

	2023 \$'000	2022 \$'000
<i>Facility limits:</i>		
Borrowing facilities	620	620
Guarantee facility	3,053	2,663
<i>Facility remaining available:</i>		
Borrowing facilities	620	620
Guarantee facility	760	42

6.2 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets. Trade receivables are initially recognised at the transaction price of the revenue contract with customers, and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally have 30 to 90 days (2022: 30 to 90 days) credit terms and therefore are all classified as current.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Due to the short-term nature of the receivables, their carrying amount is assumed to be the same as their fair value.

Notes to the consolidated financial statements continued

6 Financial assets and financial liabilities continued

Further information relating to trade and other receivables is provided in Note 8. This includes the Group's exposure to credit risk by geographical region and type of counterparty as well as information on the credit quality of trade receivables (Note 8(b)).

	2023 \$'000	2022 \$'000
Trade receivables net of expected credit loss	32,173	23,775
Government grant	4,345	3,258
GST/VAT receivable	618	563
Interest and other receivables	1,618	282
Total trade and other receivables	38,754	27,878

6.3 Derivative financial instruments

The Group uses derivative financial instruments (foreign currency contracts) to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair values of foreign currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit and loss statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- Cash flow hedges, when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

Hedges that meet the strict criteria for hedge accounting are accounted as follows:

- For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the profit and loss statement;
- For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured to fair value. Gains and losses from both are taken to the profit and loss statement;
- If the forward exchange contract no longer meets the criteria for hedge accounting, expires, is terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs or when cash flows arising from the transactions are received; and
- For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the statement of profit or loss in the same period the hedged transactions affect the profit or loss on the same line item as the hedged transactions.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All of the Group's foreign exchange forward contracts and options were valued using market comparison technique (Level 2) and are calculated using forward exchange rates prevailing at the balance sheet date. There were no transfers between levels during the year. The fair values are based on third party independent valuations. Similar contracts are traded in an active market and the independent valuations reflect the actual transactions in similar instruments.

The market forward rates used to value foreign exchange forward contracts ranged between 0.6673 and 0.6718.

The ineffectiveness measured for the year in respect of the hedges designated for hedge accounting was deemed immaterial and subsequently no ineffectiveness was posted to profit or loss for the period.

Notes to the consolidated financial statements continued

6 Financial assets and financial liabilities continued

Derivative financial assets and liabilities are as follows:

	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Financial assets						
Derivative financial instruments	360	841	1,201	—	1	1
Financial liabilities						
Derivative financial instruments	1,103	774	1,877	2,288	543	2,831

6.4 Trade and other payables

Trade and other payables are carried at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition. Amounts due to be settled within 12 months after the reporting period are classified as current.

The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short-term nature.

	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Trade payables	3,760	—	3,760	2,744	—	2,744
Other payables	7,082	—	7,082	6,838	—	6,838
Total trade and other payables	10,842	—	10,842	9,582	—	9,582

6.5 Lease liabilities

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

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

The Group leases various offices, warehouses, equipment and motor vehicles. Rental contracts are typically made for fixed periods between three to eight years. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. This excludes short-term leases.

The weighted average lessee's incremental borrowing rate applied to operating lease liabilities was 3.03% (2022: 2.68%).

During the period the Company renewed/extended the lease agreements for the following sites:

- Manufacturing site located in Thornleigh, NSW commencing on 1 October 2022 and ending on 30 September 2024 with an option to extend for one year; and
- Office and warehouse site located in Indianapolis, United States commencing on 1 July 2023 and ending on 30 June 2025.

During the period the Company also entered into a new lease for additional warehousing space in Macquarie Park, NSW commencing in February 2023 and ending in March 2027.

Notes to the consolidated financial statements continued

6 Financial assets and financial liabilities continued

	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Lease liabilities	2,882	7,838	10,720	2,554	9,158	11,712

	2023 \$'000	2022 \$'000
Balance as at 1 July	11,712	2,491
Additions	1,731	11,256
Interest expense	345	254
Payments	(3,068)	(2,289)
Balance as at 30 June	10,720	11,712

The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	2,857	2,532
Interest expense on lease liabilities	345	254

Expense relating to short-term leases included in:

Selling and general	418	612
Administration	151	139
Research and development	15	70

Total amount recognised in profit or loss	3,786	3,607
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The Group had total cash outflows for leases of \$3,652,000 in 2023 (\$3,059,000 in 2022). The Group also had non-cash additions to lease liabilities of \$1,731,000 in 2023 (\$11,256,000 in 2022). All leases have fixed payment terms and there are no variable components.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. The Group has entered into operating leases on its property, plant and equipment consisting of trophon2 units. These leases have remaining terms of up to five years. The future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2023 \$'000	2022 \$'000
Within one year	1,085	814
Between 1 and 2 years	759	596
Between 2 and 3 years	251	313
Between 3 and 4 years	52	60
Between 4 and 5 years	24	5
More than 5 years	—	—
Total	2,171	1,788

Notes to the consolidated financial statements continued

7 Operating assets and liabilities

7.1 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the weighted-average principle, including expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventory and work in progress, cost includes materials, labour and an appropriate level of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, selling, marketing and distribution expenses.

	2023 \$'000	2022 \$'000
Raw materials and stores	10,372	10,174
Work in progress	71	355
Finished goods	15,047	12,086
Total inventories	25,490	22,615

Inventories recognised as an expense (cost of sales) during the year ended 30 June 2023 amounted to \$28,394,000 (2022: \$19,972,000).

Management has performed an assessment of inventories held for the year ended 30 June 2023 and recognised write-downs during the year of \$1,360,000 (2022: \$278,000). The expense has been included in selling and general expenses in the profit and loss statement.

7.2 Property, plant and equipment

i) Owned assets

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. 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 it is replaced. All other repairs and maintenance are charged to the profit and loss statement during the reporting period in which they are incurred. Production tooling used to manufacture component parts qualifies as property, plant and equipment when the Company expects to use it during more than one year.

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

ii) Depreciation

All assets have limited useful lives and are depreciated using the straight-line method over their estimated useful lives, or in the case of leasehold improvements, over the estimated useful life or lease term, whichever is shorter, taking into account residual values. Depreciation is expensed. The depreciation rates or useful lives used in the current and comparative years are as follows: leasehold improvements over the lease term; and plant and equipment two to seven years.

The assets' residual values, useful lives and depreciation methods are reviewed at least annually and adjusted prospectively, if appropriate.

iii) Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Non-financial assets, other than intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the consolidated financial statements continued

7 Operating assets and liabilities continued

Total property, plant and equipment at net book value

	Leasehold improvements \$'000	Plant and equipment \$'000	Capital work in progress \$'000	Total \$'000
Year ended 30 June 2022				
Opening net book amount	231	6,558	412	7,201
Additions	5,160	2,133	262	7,555
Retirement and others	—	(92)	—	(92)
Transfers	63	73	(136)	—
Depreciation charge	(357)	(2,595)	—	(2,952)
Foreign currency translation effect (net)	(2)	12	—	10
Closing net book amount at 30 June 2022	5,095	6,089	538	11,722
At 30 June 2022				
Cost	8,389	18,427	538	27,354
Impairment	—	—	—	—
Accumulated depreciation	(3,294)	(12,338)	—	(15,632)
Net book amount at 30 June 2022	5,095	6,089	538	11,722
Year ended 30 June 2023				
Opening net book amount	5,095	6,089	538	11,722
Additions	1,747	3,268	212	5,227
Retirement and others	(3)	(72)	—	(75)
Transfers	—	215	(215)	—
Depreciation charge	(1,347)	(2,803)	—	(4,150)
Foreign currency translation effect (net)	3	11	(5)	9
Closing net book amount at 30 June 2023	5,495	6,708	530	12,733
At 30 June 2023				
Cost	10,102	21,840	530	32,472
Impairment	—	—	—	—
Accumulated depreciation	(4,607)	(15,132)	—	(19,739)
Net book amount at 30 June 2023	5,495	6,708	530	12,733

Leasehold improvement includes additions of \$1,668,000 related to the fitout of the new laboratory, manufacturing and office facilities at the headquarters in Macquarie Park. The useful life of these assets is the lower of five years and the remaining term of the lease.

Plant and equipment includes trophon2 units that are utilised under rental or, service contracts, or managed equipment service arrangements, as well as units that are used for internal purposes. The gross and net book value of trophon2 units included in plant and equipment is \$8,029,000 (2022: \$6,428,000) and \$3,269,000 (2022: \$2,821,000), respectively.

Notes to the consolidated financial statements continued

7 Operating assets and liabilities continued

7.3 Right-of-use assets

i) Right-of-use assets recognition

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

ii) Depreciation

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

iii) Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Non-financial assets, other than intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

iv) Practical expedients

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

Total right-of-use assets at net book value

	Premises \$'000	Other equipment \$'000	Total \$'000
Opening net book amount as at 1 July 2021	1,826	307	2,133
Additions	11,169	88	11,257
Depreciation expense	(2,384)	(148)	(2,532)
Closing net book amount at 30 June 2022	10,611	247	10,858
Opening net book amount as at 1 July 2022	10,611	247	10,858
Additions	1,548	213	1,761
Depreciation expense	(2,733)	(124)	(2,857)
Closing net book amount at 30 June 2023	9,426	336	9,762

7.4 Intangible assets

i) Research and development

Research and development expenditure is expensed as incurred except those costs incurred on development projects, relating to the design and testing of new or improved products, are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

ii) Patents and trademarks

The costs of registering and protecting patents and trademarks are recognised as intangible assets when it is probable that the patent or trademark will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its cost can be measured reliably. Otherwise, these are expensed as incurred.

Notes to the consolidated financial statements continued

7 Operating assets and liabilities continued

iii) ERP system and computer software

The expenditure incurred on the Group's Enterprise Resource Planning (ERP) system and computer software and the costs necessary for the implementation of the system are recognised as an intangible asset, to the extent Nanosonics controls future economic benefits as a result of the costs incurred; and are stated at cost less accumulated amortisation. Costs include expenditure that is directly attributable to the development and implementation of the system.

iv) Amortisation

Amortisation is calculated to expense the cost of the intangible assets less its estimated residual values on a straight-line basis over their estimated useful lives. The estimated useful lives for the current and comparative years are as follows: development costs five years and ERP system and computer software three years.

Amortisation is recognised in the profit and loss statement from the date the asset is available for use unless their lives are indefinite. Intangible assets with an indefinite useful life are tested annually for impairment.

v) Impairment

Intangible assets are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. No indicators of impairment of intangible assets were identified during the period (2022: Nil).

Total intangible assets at net book value

ERP and
computer
software
\$'000

Year ended 30 June 2022

Opening net book amount	278
Additions	179
Retirement and others	—
Amortisation	(243)
Foreign currency translation effect (net)	3

Closing net book amount at 30 June 2022

217

At 30 June 2022

Cost or fair value	2,916
Accumulated depreciation	(2,699)

Net book amount at 30 June 2022

217

Year ended 30 June 2023

Opening net book amount	217
Additions	5
Retirement and others	—
Amortisation	(129)
Foreign currency translation effect (net)	3

Closing net book amount at 30 June 2023

96

At 30 June 2023

Cost or fair value	2,939
Accumulated depreciation	(2,843)

Net book amount at 30 June 2023

96

Notes to the consolidated financial statements continued

7 Operating assets and liabilities continued

7.5 Provisions

i) General

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

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

ii) Provision for warranty

Provision for warranty related costs are made in respect of the Group's estimated liability on all products sold or services provided under warranty at the reporting date. The provision is measured at current values estimated to be required to settle the warranty obligation. The initial estimate of warranty-related costs is reviewed annually.

iii) Provision for make good

The Group has operating leases over its offices that require the premises to be returned to the lessor in their original condition.

The lease payments do not include an element for repairs or make good. A provision for make good lease costs is recognised at the time it is determined that it is probable that such costs will be incurred in a future year, measured at the expected cost of returning the asset to the lessor in its original condition. An offsetting asset of the same value is also recognised and is classified in property, plant and equipment. This asset is amortised to the profit and loss statement over the life of the lease.

iv) Onerous lease

Onerous lease is recognised for the unavoidable costs of meeting an obligation under a lease contract which exceed the benefit expected to be received. The Group has not recognised any new onerous leases during the period.

Provisions as at the reporting date

	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Provision for warranty	629	—	629	402	—	402
Make good provision	—	30	30	130	—	130
Onerous lease provision	—	—	—	52	—	52
Total provisions	629	30	659	584	—	584

Movements in provisions

	Provision for warranty \$'000	Make good provision \$'000	Onerous lease provision \$'000	Total \$'000
Carrying amount at the beginning of the year	402	130	52	584
Additional provisions recognised	710	30	—	740
Amounts used/reversed during the period	(483)	(130)	(52)	(665)
Carrying amount at end of the year	629	30	—	659

The Group has recognised a provision for warranty consistent with the policy applied in prior periods. The Group has made assumptions in relation to the values estimated to be required to settle the warranty obligation on all products under warranty at the balance date.

Notes to the consolidated financial statements continued

8 Financial risk management

The Group is exposed to a variety of financial risks, including market risk (comprising foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Board of Directors has overall responsibility for the Group's risk management framework. Responsibility for the development and implementation of controls to address risks is assigned to the Audit and Risk Committee. The responsibility is supported by the development of standards, policies and procedures for the management of these risks.

The financial risk management policies of the Group are consistent with prior periods. Management has identified that foreign currency risk and credit risk on receivables are material to the Group.

a) Market risk

Market risk is the risk that changes in market prices will affect the Group's financial performance.

i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a currency other than the Group's functional currency) and the Group's net investments in foreign subsidiaries. The Group enters into foreign currency contracts to mitigate its foreign currency risk on its net cash flows.

Exposure

The Group's primary exposure to foreign currency risk in the consolidated balance sheet as at the end of the reporting period mainly comprised:

	2023				2022			
	USD \$'000	GBP £'000	Euro € '000	CAD \$'000	USD \$'000	GBP £'000	Euro € '000	CAD \$'000
Cash and cash equivalents	6,514	901	829	1,365	5,079	1,166	390	2,975
Trade and other receivables	18,382	473	927	751	15,833	519	465	335
Trade and other payables	(2,798)	(133)	(134)	(286)	(1,783)	(219)	(181)	(164)
	22,098	1,241	1,622	1,830	19,129	1,466	674	3,146
Foreign currency forward contracts and options to buy/sell USD	46,100	—	—	—	39,200	—	—	—

Notes to the consolidated financial statements continued

8 Financial risk management continued

Sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in the USD, EUR, GBP and CAD against the AUD, with all other variables held constant.

	Impact on post-tax profit		Impact on other components of equity	
	2023 '000	2022 '000	2023 '000	2022 '000
Change in USD rate				
Increase 5%	3,324	3,549	(826)	(754)
Decrease 5%	(2,557)	(3,725)	747	682
Change in GBP rate				
Increase 5%	235	363	(212)	(383)
Decrease 5%	(213)	(329)	192	346
Change in EUR rate				
Increase 5%	222	140	(177)	(146)
Decrease 5%	(201)	(127)	160	132
Change in CAD rate				
Increase 5%	176	251	(141)	(172)
Decrease 5%	(159)	(227)	128	155

Post-tax profit and other components of equity is most sensitive to movements in the Australian dollar/U.S. dollar exchange rates because of the amount of U.S. dollar denominated sales, trade receivables and bank balances. The sensitivity analysis above takes into account foreign currency denominated intercompany receivables and payables which do not form part of a net investment in foreign operations as although intercompany balances are eliminated in the consolidated balance sheet, the effect on profit or loss of their revaluation is not fully eliminated. The Group's exposure to movement in other foreign currencies is not material.

ii) Interest rate risk

The Group's main interest rate risk arises from the cash reserves in the operating bank accounts and short-term deposits, which expose the Group to cash flow interest rate risk.

The Group's exposure to interest rate risk is summarised below:

	Notes	Fixed interest rate maturing in:					Total \$'000
		Floating interest rate \$'000	One year or less \$'000	Over one to five years \$'000	More than five years \$'000	Non-interest bearing \$'000	
2023							
Financial assets							
Cash and cash equivalents	6.1	23,677	88,482	—	—	—	112,159
Trade and other receivables	6.2	—	—	—	—	38,754	38,754
Derivative financial instruments	6.3	—	—	—	—	1,201	1,201
Total financial assets		23,677	88,482	—	—	39,955	152,114
Weighted average interest rate		0.33%	4.42%	—	—	—	—
Financial liabilities							
Trade and other payables	6.4	—	—	—	—	10,842	10,842
Lease liabilities	6.5	—	2,882	7,762	76	—	10,720
Derivative financial instruments	6.3	—	—	—	—	1,877	1,877
Total financial liabilities		—	2,882	7,762	76	12,719	23,439
Weighted average interest rate		—	3.03%	3.03%	3.03%	—	—
Net financial assets/(liabilities)		23,677	85,600	(7,762)	(76)	27,236	128,675

Notes to the consolidated financial statements continued

8 Financial risk management continued

2022	Notes	Fixed interest rate maturing in:					Total \$'000
		Floating interest rate \$'000	One year or less \$'000	Over one to five years \$'000	More than five years \$'000	Non-interest bearing \$'000	
Financial assets							
Cash and cash equivalents	6.1	21,762	72,750	—	—	—	94,512
Trade and other receivables	6.2	—	—	—	—	28,391	28,391
Derivative financial instruments	6.3	—	—	—	—	1	1
Total financial assets		21,762	72,750	—	—	28,392	122,904
Weighted average interest rate		0.04%	1.39%	—	—	—	—
Financial liabilities							
Trade and other payables	6.4	—	—	—	—	9,582	9,582
Lease liabilities	6.5	—	2,554	9,064	94	—	11,712
Derivative financial instruments	6.3	—	—	—	—	2,831	2,831
Total financial liabilities		—	2,554	9,064	94	12,413	24,125
Weighted average interest rate		—	2.68%	2.68%	2.68%	—	—
Net financial assets/(liabilities)		21,762	70,196	(9,064)	(94)	15,979	98,779

Sensitivity

The profit and loss statement is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. For the year ended 30 June 2023, it is estimated that a general increase of 25 basis points in interest rates would have increased the Group's profit after tax and equity by \$181,000 (2022: \$167,000). A decrease of 25 basis points in interest rates would have had the equal but opposite effect on the Group's profit after tax and equity.

b) Credit risk

Credit risk is the risk of financial loss to Nanosonics if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions, and credit exposures to customers. The maximum exposure to credit risk as at the reporting date is the carrying amount of the financial assets as described in Note 6. Company's exposure to credit risk is influenced mainly by the geographical location, the type and characteristics of individual customers.

Maximum exposure to credit risk for trade receivable by geographical region was as follows:

	2023 \$'000	2022 \$'000
North America	28,417	20,652
Europe	1,984	1,410
Asia Pacific	1,772	1,713
	32,173	23,775
Maximum exposure to credit risk for trade receivable by type of counterparty was as follows:		
Distributors	3,814	5,526
End-user customers	28,359	18,249
	32,173	23,775

As at 30 June 2023, GE Healthcare (worldwide) and Regional Healthcare Group Pty Ltd, combined, accounted for over 11.4% of the trade receivables (2022: 26.6%).

Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Notes to the consolidated financial statements continued

8 Financial risk management continued

i) Risk management

Credit risk is managed on a group basis. The Group may only invest surplus funds in deposits and floating rate notes offered by any major bank approved by the Board with no more than 50% held at any one bank.

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to credit risk management. The Group performs credit assessments of its customers prior to entering into any sales agreements. The Group utilises an external credit rating agency to assess the credit worthiness of its customers.

In North America and Europe, outstanding customer receivables are regularly monitored and are generally covered by credit insurance.

As a result, the Group believes that its trade receivable credit risk exposure is mitigated and it has not experienced significant write-downs in its trade receivable balances. The Group's trade and other receivables is detailed in Note 6.2.

The credit risk arising from derivative financial instruments is not significant.

ii) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

An analysis of the credit profile of customers that are neither past due nor impaired are as follows:

	2023 \$'000	2022 \$'000
GE Healthcare and associated affiliates	1,954	2,536
Covered by credit insurance	19,280	12,765
Other customers:		
Four or more years' trading history with the Group	1,551	1,251
Less than four years of trading history with the Group	651	252
	23,436	16,804

Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively under the expected credit loss model to determine whether any allowance for expected credit losses is required. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- Default or delinquency in payments;
- Significant financial difficulties of the debtor; or
- Probability that the debtor will enter bankruptcy or financial reorganisation.

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

Impairment losses are recognised in the profit and loss statement within selling and general expenses. Subsequent recoveries of amounts previously written off are credited against selling and general expenses.

As at 30 June 2023, trade receivables with a nominal value of \$233,000 (2022: \$31,000) were considered impaired and fully provided for.

The movement in provision for impairment in respect of trade and other receivables during the year was as follows:

	2023 \$'000	2022 \$'000
Balance at 1 July	31	106
Provision for impairment recognised during the year	233	22
Receivables written off during the year as uncollectible	(31)	(39)
Unused amount reversed	—	(58)
Balance at 30 June	233	31

Notes to the consolidated financial statements continued

8 Financial risk management continued

Past due but not impaired

As at 30 June 2023, trade receivables of \$8,456,000 (2022: 7,322,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aging analysis of trade receivables is as follows:

	2023 \$'000	2022 \$'000
Neither past due nor impaired	23,717	16,453
Past due but not impaired		
< 30 days	5,280	3,187
30-60 days	1,002	2,900
> 60 days	2,174	1,235
	32,173	23,775

c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are invested in short and medium term instruments which are tradeable in highly liquid markets.

At the end of the reporting period, the Group held short-term deposits of \$88,482,000 (2022: \$72,750,000) that are expected to readily generate cash inflows, as well as cash at bank of \$23,677,000 (2022: \$21,762,000) that is readily available for managing liquidity risk.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than three months	Three to 12 months	Over one to five years	Five years	Total
2023					
Trade and other payables	10,842	—	—	—	10,842
Lease liabilities	795	2,374	8,087	80	11,336
Derivative financial instruments	321	782	774	—	1,877
Total financial liabilities	11,958	3,156	8,861	80	24,055
2022					
Trade and other payables	9,582	—	—	—	9,582
Lease liabilities	783	2,049	9,542	101	12,475
Derivative financial instruments	492	1,796	543	—	2,831
Total financial liabilities	10,857	3,845	10,085	101	24,888

Notes to the consolidated financial statements continued

9 Capital structure

9.1 Capital and reserves

a) Contributed equity

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

Ordinary shares carry one vote per share and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands, every ordinary shareholder present at a meeting in person or by proxy is entitled to vote and upon a poll each share is entitled to one vote. Ordinary shares have no par value, are fully paid and the Company does not have a limited amount of authorised capital.

Movements in ordinary share capital:

	Number of shares	\$'000
Balance 30 June 2021	301,465,019	113,539
Issue of shares under employee share plans – proceeds received	370,110	316
Balance 30 June 2022	301,835,129	113,855
Issue of shares under employee share plans – proceeds received	480,631	356
Balance 30 June 2023	302,315,760	114,211

b) Reserves

i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value at grant date of performance rights and options issued as detailed in Note 4.3 less any payments made to meet the Company's obligations through the acquisition of shares on market, together with income taxes on such payments.

ii) Foreign currency translation reserve

The foreign currency translation reserve records the exchange differences arising on translation of the financial statements of the foreign subsidiaries where the functional currency is different from the presentation currency of the reporting entity as detailed in Note 1.2 (e).

iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to underlying transactions that have not yet occurred.

9.2 Capital management

The Board and management controls the capital of the Group to ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and financial liabilities supported by financial assets. There are no externally imposed capital requirements. The Board and management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and the risk in the market. These responses include the management of share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Notes to the consolidated financial statements continued

10. Other notes

10.1 Commitments

Capital commitments

As at 30 June 2023, the Group had commitments to purchase plant and equipment of \$580,221 (2022: \$1,867,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

10.2 Related party transactions

a. Transactions with related parties

Note 10.3 provides the information about the Group's structure, including the details of the subsidiaries and the parent entity.

i) Directors and Key Management Personnel compensation

	2023 \$	2022 \$
Director fees	734,309	824,432
Short-term employee benefits	2,816,760	2,472,577
Long-term benefits	304,130	265,847
Post-employment benefits	187,037	183,408
Share-based payments	2,178,151	1,235,599
Total Directors and Key Management Personnel compensation	6,220,387	4,981,863

Detailed remuneration disclosures are provided in the remuneration report on pages 40 to 61.

ii) Transactions with other related parties

Certain Directors or their personally-related entities (Related Parties) hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Director fees for Maurie Stang were paid through his personally-related management entity up until 18 November 2022, when he retired as a Director of Nanosonics Limited.

Maurie Stang is related to Regional Healthcare Group Pty Ltd and following his retirement as a Director of Nanosonics Limited, this entity ceased to be a related party from 18 November 2022. The transactions with Regional Healthcare Group Pty Ltd during the year up until 18 November 2022 comprised sale of products and services of \$2,331,620 (30 June 2022: \$3,959,462) and purchase of goods and services of \$61,338 (30 June 2022: \$1,784).

The above transactions exclude Director fees paid through personally related management entities.

iii) Outstanding balances arising from sales/purchases of goods and services

As at 30 June 2023, the total balance of trade receivables with Regional Healthcare Group Pty Ltd is \$5,940 (30 June 2022: \$1,137,540). There were no other amounts due from or to other Related Parties. There were no provisions for impaired receivables in relation to any outstanding balances from Related Parties (30 June 2022: Nil) and no expense has been recognised during the period in respect of impaired receivables due from Related Parties.

iv) Loans to Directors and Key Management Personnel

During the year and to the date of this report, the Group made no loans to Directors and Key Management Personnel and none were outstanding as at 30 June 2023 (2022: Nil).

v) Terms and conditions

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

Outstanding balances are unsecured and are repayable in cash.

Notes to the consolidated financial statements continued

10. Other notes continued

10.3 Controlled entities

The consolidated financial statements of the Group include:

Name of controlled entity	Principal activities	Country of incorporation	Class of shares	Equity holdings	
				2023	2022
Nanosonics Europe GmbH	Provision of sales and customer support services to Nanosonics Europe Limited in Europe	Germany	Ordinary	100%	100%
Saban Ventures Pty Limited	Owner of the registered intellectual property of the Group	Australia	Ordinary	100%	100%
Nanosonics, Inc.	Sales and distribution of Nanosonics' products and provision of sales and customer support services to Nanosonics Limited in the USA	USA	Ordinary	100%	100%
Nanosonics Europe Limited	Sales and distribution of Nanosonics' products in Europe	UK	Ordinary	100%	100%
Nanosonics UK Limited	Provision of sales and customer support services in Europe	UK	Ordinary	100%	100%
Nanosonics Canada, Inc.	Sales and distribution of Nanosonics' products and services in Canada	Canada	Ordinary	100%	100%
Nanosonics Japan KK	Sales and distribution of Nanosonics' products and services in Japan	Japan	Ordinary	100%	100%
Nanosonics (Shanghai) Co. Ltd	Sales and distribution of Nanosonics' products and services in China	China	Ordinary	100%	100%
Nanosonics Investments Pty Ltd	Strategic investments	Australia	Ordinary	100%	100%
Nanosonics Employee Equity Trust	Management of Nanosonics employee share plan	Australia	—	100%	100%

10.4 Parent entity information

As at and throughout the financial year ended 30 June 2023, the parent entity of the Group is Nanosonics Limited which is based and listed in Australia. The individual financial statements for the parent entity show the following aggregate amounts:

i) Summary financial information

	2023 \$'000	2022 \$'000
Statement of financial position		
Current assets	197,783	174,577
Total assets	221,112	199,866
Current liabilities	17,606	21,208
Total liabilities	28,467	34,020
Shareholders' equity		
Share capital	114,211	113,855
Share-based payments reserve	29,096	23,170
Hedging reserve (net of tax)	(10)	(1,053)
Retained earnings	49,348	29,874
Total equity	192,645	165,846
Profit for the year	19,475	8,706
Total comprehensive income	20,966	7,126

Notes to the consolidated financial statements continued

10. Other notes continued

ii) Guarantees entered into by the parent entity

For the year ended 30 June 2023, the parent entity provided assurances to its controlled entities, Nanosonics Europe GmbH, Nanosonics Europe Limited and Nanosonics UK Limited that the intercompany debts will not be required to be repaid until such time as the controlled entities have sufficient funds available. No other guarantees were provided during the period.

iii) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2023 (2022: Nil).

iv) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2023, the parent entity had commitments to purchase plant and equipment of \$512,000 (2022: \$1,860,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

v) Accounting policies

The accounting policies of the parent entity are consistent with the Group except for Investment in controlled entities which is carried in the parent company financial statements at the lower of cost or recoverable amount.

10.5 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:

Auditor's Remuneration	2023	2022
Fees to Ernst & Young (Australia)		
Audit services		
Fees for auditing the statutory financial report of the parent covering the group	408,418	368,000
Fees for auditing the statutory financial reports of the controlled entities based in the UK	56,190	44,084
Total audit services	464,608	412,084
Non-audit services		
Tax compliance (Australia)	90,978	116,000
Tax compliance (Overseas)	2,762	—
Other services	—	—
Total non-audit services	93,740	116,000
Total fee for services provided	558,348	528,084

10.6 New standards and interpretations not yet adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

10.7 Events occurring after the balance date

On 18 August 2023, the Company issued 41,540 shares at \$4.02 per share for a total of \$166,991 under the Global Employee Share Plan (GESP).

No other matters or circumstances that have arisen since 30 June 2023 that have significantly affected, or may significantly affect:

- The Group's operations in the current or future financial years;
- The results of those operations in the current or future financial years; or
- The Group's state of affairs in the current or future financial years.

Directors' declaration

For the year ended 30 June 2023

1. In the Directors' opinion:
 - a) The financial statements and notes set out on pages 62 to 99 are in accordance with the *Corporations Act 2001*, including:
 - i. Complying with the Accounting Standards and the Corporations Regulations 2001;
 - ii. Giving a true and fair view of the Company's and Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
 - b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.2; and
 - c) There are reasonable grounds to believe that the Company and its subsidiaries will be able to pay their debts as and when they become due and payable.
2. The Directors have been given the declarations by the Managing Director and CEO and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.
3. This declaration is made in accordance with a resolution of Directors.



Geoff Wilson

Director

Sydney, 22 August 2023

Independent Auditor's Report to the members of Nanosonics Limited



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Independent auditor's report to the members of Nanosonics Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Nanosonics Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Independent Auditor's Report to the members of Nanosonics Limited



Revenue from Customer Contracts

Why significant	How our audit addressed the key audit matter
As at 30 June 2023, revenue from the sale of goods and services during the year totalled \$165,993k as disclosed in Note 2 of the financial report. Revenue from the sale of goods is recognised when the Group has delivered the goods to customers and revenue from the sale of services is recognised as the service is provided. The Group's revenue contracts often include several performance obligations. The matter was considered a Key Audit Matter due to the level of judgement required to determine whether the criteria for revenue recognition has been met in accordance with the requirements of AASB 15 <i>Revenue from Contract with Customers</i>, and the period in which the revenue is recognised.	Our audit procedures included the following: ▶ Assessed the appropriateness of the Group's revenue recognition accounting policies in accordance with the requirements of Australian Accounting Standards. ▶ Assessed the operating effectiveness of relevant controls relating to the recognition of revenue from the sale of goods and services. ▶ Selected a sample of cash receipts and agreed the transactions to remittance advice and/or bank statement. ▶ Selected a sample of sale of goods and services transactions and tested whether the sale was recognised in the correct period. ▶ Selected a sample of service revenue contract liabilities and vouched the sale to the respective contract and/or invoice. We also recalculated the contract liability recorded. ▶ Used data analytical procedures to corroborate expected correlations between revenue, contract liability, accounts receivable and cash. ▶ Assessed the adequacy of the disclosures relating to revenue included in the Notes to the financial report.

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 Company's 2023 annual report, 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, with the exception of the Remuneration Report and our related assurance opinion.

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.

Independent Auditor's Report to the members of Nanosonics Limited



Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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.

Independent Auditor's Report to the members of Nanosonics Limited



- ▶ 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 61 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Nanosonics Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Independent Auditor's Report to the members of Nanosonics Limited



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.

Ernst and Young

Ernst & Young

Vida Virgo

Vida Virgo
Partner
Sydney
22 August 2023

Shareholder Information

The shareholder information set out below was applicable as at 18 August 2023.

A. Equity security holders

Twenty largest holders of quoted equity securities

Ordinary shares	Number of quoted shares held	Percentage
HSBC Custody Nominees (Australia) Limited	61,767,191	20.43%
Citicorp Nominees Pty Limited	44,181,499	14.61%
J P Morgan Nominees Australia Pty Limited	38,356,423	12.69%
BNP Paribas Noms Pty Ltd <Drp>	19,483,665	6.44%
UBS Nominees Pty Ltd	11,561,555	3.82%
National Nominees Limited	8,604,841	2.85%
Mr Maurie Stang ¹	8,129,534	2.69%
Mr Bernard Stang ¹	6,842,564	2.26%
Mr Steve Kritzler	6,489,737	2.15%
Australian Foundation Investment Company Limited	5,853,333	1.94%
BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	4,535,691	1.50%
HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	4,227,938	1.40%
Dr Harry Hirschowitz	2,139,090	0.71%
First Samuel Ltd <ANF ITS MDA CLIENTS A/C>	1,483,891	0.49%
Mirrabooka Investments Limited	1,335,007	0.44%
Colonial First State Inv Ltd <2349414 Hofbauer A/C>	1,200,000	0.40%
BNP Paribas Noms (NZ) LTD <DRP>	1,048,517	0.35%
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <Drp A/C>	999,603	0.33%
Invia Custodian Pty Limited <Penance A/C>	950,000	0.31%
Netwealth Investments Limited <Wrap Services A/C>	906,627	0.29%
Total top 20 holders	230,096,706	76.10%
Total all other holders	72,260,594	23.90%
Total shares on issue	302,357,300	100.00%

¹. Excludes indirect holdings and shares held by close family member.

Unquoted equity securities	Number of rights and options over ordinary shares	Number of holders ¹
Rights and options on issue		
Rights at nil exercise price under NOEP to take up unissued ordinary shares	2,919,987	188
Share appreciations rights under NOEP to take up unissued ordinary shares	2,949,692	44
Options under NOEP to take up unissued ordinary shares	1,099,634	12
Total performance rights and options on issue	6,969,313	188

¹. There are 188 unique holders with some holding two or three types of unquoted securities.

Shareholder Information continued

B. Distribution of equity securities

Analysis of numbers of ordinary shares and rights and options by size of holding

	Quoted ordinary shares			Unquoted rights and options		
	Units	Percentage	Holders	Units	Percentage	Holders
1 – 1,000	3,609,728	1%	8,502	37,008	1%	96
1,001 – 5,000	12,904,477	4%	5,022	83,459	1%	35
5,001 – 10,000	9,615,406	3%	1,287	55,444	1%	8
10,001 – 100,000	24,659,031	8%	987	1,146,301	16%	36
100,001 and over	251,568,658	84%	100	5,647,101	81%	13
Total Holders	302,357,300	100%	15,898	6,969,313	100%	188

A total of 99,746 units were held by 1,444 holders of less than a marketable parcel of 100 ordinary shares at \$4.71 per share (being the closing market price on 18 August 2023).

C. Substantial holders

Substantial holders in the Company are shown below

	Number of ordinary shares	Percentage
Selector Funds Management Limited ¹	22,167,173	7.3%
Mr Maurie Stang ^{1,2}	18,971,517	6.3%
Yarra Capital Management Group ¹	16,686,713	5.5%
Mr Bernard Stang ^{1,2}	16,333,493	5.4%
Pinnacle Investment Management Group Limited ³	15,552,871	5.2%

1. Shares held as at 30 June 2023.

2. Includes indirect holdings but excludes shares held by family member.

3. Based on Notice of initial substantial holder dated 14 March 2023.

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

a) Ordinary shares

All ordinary shares carry one vote per share without restrictions. Every member present in person or by proxy shall have one vote for each share.

b) Rights and options

Rights and options have no voting rights.

E. Restricted securities and voluntary escrow

As at the date of this report, Nanosonics Limited has no restricted securities on offer.

F. On market share purchase or buy backs

The Company did not carry out any on market purchase or buy-backs of shares during the year.

Glossary

AASB	Australian Accounting Standards Board	IASB	International Accounting Standards Board
AcuTrace®	RFID technology that digitally captures the clinical workflow	IB	Installed base
AGM	Annual General Meeting	IFRS	International Financial Reporting Standards
APES	Accounting Professional and Ethical Standard	IP	Intellectual Property
ASEAN	Association of Southeast Asian Nations	ITAA	Income Tax Assessment Act
ASIC	Australian Securities and Investments Commission	KMP	Key Management Personnel
ASX	Australian Securities Exchange Limited	LTi	Long-Term Incentives
AUD	Australian dollar	LTIS	Long-Term Incentive Scheme
AuditPro™	Digital workflow compliance management system for tracking various instruments used in medical procedures	NAN	Nanosonics Limited (ASX Code)
ANZ	Australia and New Zealand	NED	Non-Executive Director
APIC	Association for Professionals in Infection Control	NHS	National Health System (UK)
CAD	Canadian dollar	NOEP	Nanosonics Omnibus Equity Plan
CAGR	Compounded Annual Growth Rate	OEM	Original Equipment Manufacturer
CDC	Center for Disease Control	PBT	Profit before tax
CEO	Chief Executive Officer	PCP	Prior corresponding period
CEO&P	Chief Executive Officer and President	PR	Performance Rights
CFO	Chief Financial Officer	Q1, 2, 3, or 4	Three-monthly periods beginning 1 July, 1 October, 1 January and 1 April respectively
CIO	Chief Information Officer	R&D	Research and Development
COO	Chief Operating Officer	Reporting period	Year to 30 June 2023
Company or Nanosonics	Nanosonics Limited ABN 11 095 076 896	RKI	The Robert Koch Institute
Constant currency	Removes the impact of foreign exchange rate movements to facilitate comparability of operational performance. This is done by converting the current period sales of entities that use currencies other than Australian dollars at the rates that were applicable in the prior period	ROE	Return on equity
CSO	Chief Security Officer	RPC	Remuneration & People Committee
CTO	Chief Technology Officer	rTSR	Percentile Rank of the Company's Total Shareholder Return
COVID-19	Coronavirus disease of 2019	SARs	Share Appreciation Rights
Date of this report	22 August 2023	SARS CoV-2	Severe acute respiratory syndrome coronavirus 2
EBIT	Earnings Before Interest and Tax	SG&A	Selling, General and Administration
EBTDA	Earnings Before Tax Depreciation and Amortisation	STeP	FDA Safer Technologies Program
EMEA	Europe Middle East and Africa	STI	Short-Term Incentives
EPS	Earnings Per Share	TFR	Total Fixed Remuneration
ERP	Enterprise Resource Planning	trophon®	The brand representing Nanosonics' range of infection control solutions designed specifically for healthcare settings
ESG	Environmental, Social and Governance	trophon® EPR	The brand of Nanosonics' first generation device specifically designed to disinfect intracavity and surface ultrasound probes
ESOP	Employee Share Option Plan	trophon®2	The next generation trophon® device with an enhanced design and new functionality including AcuTrace™ for audit-ready digital record keeping and capabilities to seamlessly connect trophon®2 with hospital IT systems
EUR	European Currency	TSR	Total Shareholder Return
FDA	Food and Drug Administration	UG	Ultrasound guided
FY	Financial year, eg. FY2023 is the financial year ended 30 June 2023	UK	United Kingdom
GBP	Great Britain Pound	UROE	Underlying Return on equity
GESP	Global Employee Share Plan	US	United States of America
GRG	Godfrey Remuneration Group	USD	United States dollar
Group	Nanosonics Limited and its wholly owned subsidiary companies	VAT	Value Added Tax
GST	Goods and Services Tax	VWAP	Volume Weighted Average Price
H2O2	Hydrogen Peroxide	WAEP	Weighted Average Exercise Price
HIV	Human Immunodeficiency Virus	WHS	Work, Health and Safety
HLD	High-Level Disinfection – involves the complete elimination of all microorganisms in or on an instrument, except for small numbers of bacterial spores	WOFE	Wholly Owned Foreign Enterprise

Corporate directory and information for investors

Nanosonics Limited

ABN 11 095 076 896 incorporated 14 November 2000

Directors

Steve Sargent
David Fisher
Marie McDonald
Geoff Wilson
Lisa McIntyre
Michael Kavanagh

Company Secretaries

McGregor Grant
Matthew Carbines

Registered Office

Level 1 Building A
7-11 Talavera Road,
Macquarie Park
NSW 2113 Australia
Ph: +61 2 8063 1600

Share Register

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GPO Box 2975
Melbourne, VIC 3001 Australia
Ph: +61 3 9415 4088
Ph: 1300 555 159 (within Australia)
www.computershare.com/au/contact

Investor/Media Relations

McGregor Grant – Company Secretary
Matthew Carbines – Company Secretary
Ph: +61 2 8063 1600
Email: info@nanosonics.com.au

Auditor

Ernst & Young

200 George Street
Sydney NSW 2000 Australia

Legal Advisors

Baker & McKenzie

Tower One – International Towers Sydney
Level 46, 100 Barangaroo Avenue
Sydney NSW 2000 Australia

Spruson & Ferguson Pty Limited

Level 21, 60 Margaret Street
Sydney NSW 2000 Australia

Bankers

Australia

Australia and New Zealand Banking Group Limited
HSBC Bank Australia Limited
National Australia Bank Limited
Commonwealth Bank of Australia Limited

United Kingdom

HSBC Bank PLC

Germany

HSBC Trinkaus & Burkhardt AG
Deutsche Bank AG

United States

HSBC Bank USA NA
PNC Financial Services Group, Inc.

Japan

MUFG Bank Ltd.

China

HSBC Bank (China) Shanghai

Stock Exchange Listing

Nanosonics Limited shares are listed on the Australian Securities Exchange
ASX code: **NAN**
Industry Group: Healthcare Equipment & Services

2023 Annual General meeting

The 2023 AGM of Nanosonics Limited will be held at 11:00 am on 3 November 2023.

Nanosonics Office
Level 1 Building A, 7-11 Talavera Road,
Macquarie Park, NSW, 2113, Australia.

Website address

www.nanosonics.com.au

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