Rule 4.3A

Appendix 4E

Preliminary final report for the financial year ended 30 June 2022

Name of entity

VECTUS BIOSYSTEMS LIMITED ABN: 54 117 526 137

Reporting period: 30 June 2022
Previous period: 30 June 2021

Results for announcement to the market

				AUD
Revenues from ordinary activities	up	27.7%	to	1,300,081 *
Loss from ordinary activities after tax attributable to	up	3.4%	to	(3,993,775) *
Loss for the period attributable to owners of Vectus Biosystems Limited	up	3.4%	to	(3,993,775) *

**Re-stated, refer note 3 in the attached financial statements for more information*

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢

Brief explanation of the above

The Group has incurred an operating loss of $3,993,775 for the year ended 30 June 2022 (2021: $3,861,244 - restated) and net equity deficit has moved from $1,886,197 (restated) as at 30 June 2021 to $3,533,995 as at 30 June 2022. The operating cash burn rate for the year ended 30 June 2022 was $4,462,232 (2021: $3,255,532). The cash balance as at 30 June 2022 was $1,281,341.

This Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2021. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2021-22 financial year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

NTA backing	**30-Jun-22 cents**	**30-Jun-21 cents**
Net tangible asset backing per ordinary share	(9.75)	(5.96) *

**Re-stated, refer note 3 in the attached financial statements for more information*

Events occurring after Balance Date

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

Details of entities over which control has been gained or lost during the period

Not Applicable

Foreign Entities details

Not Applicable

Dividends

No dividends were paid or proposed during the financial year.

Audit or Review details

This Report is based on accounts that are in process of being audited.

Sign here: RWaring Date: **31 August 2022**

(~~Director/~~Company Secretary)

Print name: **Robert J Waring**

Review of Operations for the 2021-22 Financial Year

Vectus Biosystems Limited (Vectus or the Company) is pleased to report on its results for the year ended 30 June 2022.

Overview

The Company has developed novel treatments for fibrosis and high blood pressure, which include potential treatments for four of the largest diseases in the fibrotic franchise, namely heart, kidney, liver and lung diseases. In recent years Vectus has completed pre-clinical and toxicological studies of its lead compound VB0004, which is aimed at treating the loss of functional tissue to fibrosis or scarring and high blood pressure. The Company's increased expenditure in the current year is for the human Phase I Clinical Trials. The yield from the good manufacturing practice (GMP) production of VB0004 has been further validation of the attractive cost per dose of Vectus' orally-dosable compound. The Company's strategy is to develop and perform early validation of its drug candidates to the point when they become commercially attractive to potential pharmaceutical partners.

During the year Vectus continued to successfully progress its clinical, pre-clinical and research activities despite the impact, globally, of the COVID-19 pandemic. The COVID-19 closures and working constraints continued to lengthen the time frames for the Phase I trial for VB0004. The trial was registered on the Clinical Trials Protocol Registration and Results Systems (ClinicalTrials.gov), and provided with the identifier NCT04925050. The trial site for Phase I is Nucleus Network (Alfred Hospital Melbourne) and, on current timelines, the Single Ascending Dose (S.A.D.) and Multiple Ascending Dose (M.A.D.) components are likely to be completed in the third quarter of 2022. On 23 August 2021 Vectus announced the commencement of the first two-milligram dose in the S.A.D. component of its Phase I / IB trial entitled:

"A phase I/Ib, first-time-in-human, single centre, double blind, randomised, placebo-controlled, dose-escalating study of the safety, tolerability and pharmacokinetics of single and repeat doses of VB0004 administered orally to healthy volunteers; and to patients with mild to moderate hypertension with low cardiovascular risk".

During the past year, the five planned S.A.D. cohorts were completed, with no significant adverse events reported. The S.A.D. segment of the trial involved doses ranging from two milligrams in Cohort 1 to 300 milligrams in Cohort 5. On 8 August 2022 the Company announced that two of the first three segments of its first-in-human M.A.D. trial had been completed, with no significant adverse events reported, adding again to the impressive safety record of VB0004. The results for these cohorts have been reviewed by the Trial Safety Review Committee and it has been deemed safe to proceed with the M.A.D. dosage level of 100 milligrams.

VB0004 represents a first-in-class drug that could prevent and, unlike known competitors in this area, reverse fibrosis. Fibrosis is the process that causes organ failure in damaged or diseased hearts, lungs and kidneys. Vectus continues its research into the possible opportunity to target the fibrotic damage resulting, in some cases, from COVID-19.

Other Compounds

Following the detailed investigation of the mechanisms involved in the development of hepatic fibrosis in the rat models of fibrosis employed by the Company, the data obtained demonstrated multiple and significant parallels with human disease. The detailed mechanistic data has permitted investigation into how VB4-A32 reverses hepatic fibrotic damage, with several novel mechanisms being elucidated. Work continues on pulmonary fibrosis and VB4-A79, the molecule that Vectus has found reverses fibrosis in the bleomycin-treated rat (the most commonly used animal model of pulmonary fibrosis). If the Phase I clinical trial confirms the pre-clinical safety profile of VB0004 in humans, the Company will be in a position to accelerate progress with other compounds, such as VB4-A32, through GMP synthesis and Investigational New Drug toxicology studies to human Phase I clinical trials.

Intellectual Property Portfolio

Vectus continues to successfully grow and consolidate its intellectual property portfolio, both in terms of scope and the increasing number of granted patents targeting high-value unmet needs across multiple disease states in major international territories. This expanded portfolio of granted patents increasingly affords the Company a potentially leading position in treating fibrotic disease. Vectus believes that its proprietary small molecules will be well positioned as first-in-class therapeutics with attractive reimbursement and long patent protection. Patents have been filed, and secured, in all major jurisdictions and in several minor, but strategically important, jurisdictions. For patents covering mimetics directly relevant to the Company's drug development programme, remaining patent life ranges from 13 to 16 years, excluding any patent term extension (up to five years) that may apply following registration of a pharmaceutical product with relevant regulatory authorities.

There was a significant increase in the number of granted patents during the year. Vectus has received notices of grant of the patent covering pulmonary fibrosis for VB4-A79 and its related compounds from Mexico and South Africa, while notification of acceptance has been received from South Korea. These compounds have shown efficacy in treating liver fibrosis in animal models. The patents covering VB0002, VB0003, VB0005 and their associated libraries have been received, and, in total, more than 700 unique compounds have now been granted in the United States of America as well the Russian Federation. The patent covering the method of synthesis for VB0004 has been granted by Hong Kong. The Company received notices of grant of patents covering VB0004, the T series of compounds, and VB4-A32 and its related compounds, from India. Notice of grant of the patents covering the P series of compounds, and VB4-A32 and its related compounds, has been received from Malaysia. The patent relating to PCR quantitation by Accugen has been granted by Thailand. The patent relating to the probe method of PCR quantitation by Accugen has also been granted by South Korea.

Accugen

During the year Vectus has worked to enhance its technology aimed at improving the speed and accuracy of measuring the amount of DNA and RNA in samples tested in laboratories. The technology, consisting of AccuCal™ and RealCount™ software, is owned by the Company's wholly-owned subsidiary, Accugen Pty Limited. The technology offers a time, cost and accuracy benefit compared with currently-available systems. Activities in Vectus' commercialisation programme, which comprises a combination of direct sales, distribution partnerships and licencing opportunities, have broadened the potential market for the Accugen product. Opportunities are being worked on for the AccuCal™ and RealCount™ products for applications related to food safety, which is a large and growing market. The Accugen reagent (AccuCal-D™) and software evaluation by internationally-renowned research groups continue for possible utility in diagnostic tests. The Company continues to follow up the results obtained using the Accugen kits that were made available to several key opinion leader sites for evaluation and potential endorsement.

Capital and Trade Engagement

As Phase I human trials near finalisation, Vectus will increase its dialogue concerning VB0004 with some of the world's leading pharmaceutical companies and regional mid-sized firms. The Company continues to receive enquiries from industry participants who recognise the significant potential of Vectus' novel anti-fibrotic compounds. Feedback from all levels of the industry indicates the potential for significant transactions upon completion of a successful Phase I human trial for VB0004.

Finance

The Vectus Group, being Vectus and Accugen, incurred a loss for the year after income tax of $3,993,775 in the year ended 30 June 2022 (2021: $4,282,569). Operating expenses were $5,237,871 in the 2021-22 financial year compared to $4,879,239 in the 2020-21 financial year. A major portion of the funds expended during the year were largely in connection with the Phase I human clinical trials for VB0004 and advancing the library of the Company's other drugs.

During the year Vectus issued 4,602,431 fully paid ordinary shares to convertible note holders following the conversion of 4,380,000 convertible notes, at a conversion price of $0.50 per note. In relation to the accumulated interest on these notes, at an interest rate of 6% per annum, the interest was paid as a total of 222,431 shares calculated as provided for in the Convertible Note Deed.

General

The Company has been successful during the S.A.D. segment of the trials and is targeting a positive outcome in the remainder of the M.A.D. phase of its human clinical trial. Vectus believes that VB0004 and the additional emerging leads have the potential to address large-scale, unmet medical needs, drive improved healthcare and achieve these outcomes in the context of lower overall costs to the healthcare system, whilst driving shareholder value in parallel. The Company remains in active dialogue with potential trade partners, which could lead to multiple international licencing opportunities.

Karen Duggan
Chief Executive Officer and Executive Director

VECTUS BIOSYSTEMS LIMITED

AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2022

	Note	2022 $	2021 $ *(Re-stated, refer note 3)*
Revenue and other income	4	1,300,081	1,017,995
Administration and corporate expenses		(734,694)	(899,729)
Finance costs	5	(693,485)	(1,074,269)
Depreciation and amortisation expense	5	(20,189)	(17,416)
Employee benefits expense and Directors' remuneration	5	(1,135,930)	(1,161,175)
Occupancy expenses		(173,764)	(11,318)
Research & development (R&D)	5	(2,535,652)	(1,715,318)
Travel expenses		(142)	(14)
Loss before income tax benefit from continuing operations		(3,993,775)	(3,861,244)
Income tax benefit	6	-	-
NET LOSS FOR THE YEAR		(3,993,775)	(3,861,244)
TOTAL COMPREHENSIVE LOSS FOR YEAR, NET OF TAX		(3,993,775)	(3,861,244)
Loss for the year attributable to:			
Owners of Vectus Biosystems Limited		(3,993,775)	(3,861,244)
Total comprehensive loss for the year attributable to:			
Owners of Vectus Biosystems Limited		(3,993,775)	(3,861,244)
Loss per share	26		
Basic loss per share (cents per share) from continuing operations		(11.97)	(13.71)
Diluted loss per share (cents per share) from continuing operations		(11.97)	(13.71)

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

VECTUS BIOSYSTEMS LIMITED

AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	2022	2021
		$	$
			(Re-stated, refer note 3)
CURRENT ASSETS			
Cash and cash equivalents	7	1,281,341	5,778,124
Financial Assets		-	-
Other current assets	8	2,447,404	1,127,504
TOTAL CURRENT ASSETS		3,728,745	6,905,628
NON-CURRENT ASSETS			
Property, plant and equipment	9	207,508	73,353
TOTAL NON-CURRENT ASSETS		207,508	73,353
TOTAL ASSETS		3,936,253	6,978,981
CURRENT LIABILITIES			
Trade and other payables	10	149,012	350,199
Other current liabilities	11A	943,598	457,443
Borrowings	13A	5,889,724	442,291
Provisions	12A	416,006	405,519
TOTAL CURRENT LIABILITIES		7,398,340	1,655,452
NON-CURRENT LIABILITIES			
Provisions	12B	1,642	1,642
Borrowings	13B	-	7,191,131
Other non-current liabilities	11B	70,266	16,953
TOTAL NON-CURRENT LIABILITIES		71,908	7,209,726
TOTAL LIABILITIES		7,470,248	8,865,178
NET LIABILITIES		(3,533,995)	(1,886,197)
EQUITY			
Issued Capital	14	27,302,638	24,834,995
Convertible Notes - Equity		887,485	1,013,122
Reserves	25	458,743	454,772
Retained Earnings/Accumulated Losses	15	(32,182,861)	(28,189,086)
TOTAL DEFICIT		(3,533,995)	(1,886,197)

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

VECTUS BIOSYSTEMS LIMITED

AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
R&D tax offset rebate received		-	542,838
Receipt from customers		-	173
Payments to suppliers and employees		(4,365,324)	(3,723,529)
Interest received		163	221
Interest paid		(97,071)	(75,235)
Net cash used in operating activities	23(b)	(4,462,232)	(3,255,532)
Cash flows from investing activities		-	-
Cash flows from financing activities			
Lease payments		(34,551)	(23,216)
Loan borrowings		-	-
Issue of shares		-	7,000,000
Cost of Issue of shares		-	(113,331)
Convertible Notes Issue		-	-
Cost of Convertible Notes Issue		-	-
Repayment of loans		-	(515,080)
Net cash provided by financing activities	23(c)	(34,551)	6,348,373
Net increase in cash and cash equivalents		(4,496,783)	3,092,841
Cash and cash equivalents at the beginning of the financial year		5,778,124	2,685,283
Cash and cash equivalents at the end of the financial year	23(a)	1,281,341	5,778,124

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

VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2022

	Note	Equity	Convertible Notes	Retained Earnings	Reserves	Total attributable to equity holders of the entity
		$	$	$	$	$
Balance at 1 July 2020 (reported as at 30 June 2020)		17,861,819	1,065,808	(24,842,922)	270,682	(5,644,613)
Prior period adjustment		-	-	515,080	-	515,080
Re-stated as at 1 July 2020		17,861,819	1,065,808	(24,327,842)	270,682	(5,129,533)
Comprehensive Income						
Loss for the year (Re-stated - refer note 3)		-	-	(3,861,244)	-	(3,861,244)
Total comprehensive loss for the year		-	-	(3,861,244)	-	(3,861,244)
Convertible Notes - Equity	13	-	(52,686)	-	-	(52,686)
Transactions with owners						
Shares issued during the year	14	7,200,520	-	-	-	7,200,520
Share issue costs		(227,344)	-	-	-	(227,344)
Movements in share-based payment reserve		-	-	-	184,090	184,090
Balance at 30 June 2021		24,834,995	1,013,122	(28,189,086)	454,772	(1,886,197)
Balance at 1 July 2021		24,834,995	1,013,122	(28,189,086)	454,772	(1,886,197)
Comprehensive Income						
Loss for the year		-	-	(3,993,775)	-	(3,993,775)
Total comprehensive loss for the year		-	-	(3,993,775)	-	(3,993,775)
Convertible Notes - Equity	13	-	(125,637)	-	-	(125,637)
Transactions with owners						
Shares issued during the year	14	2,467,643	-	-	-	2,467,643
Share issue costs	14	-	-	-	-	-
Movements in share-based payment reserve		-	-	-	3,971	3,971
Balance at 30 June 2022		27,302,638	887,485	(32,182,861)	458,743	(3,533,995)

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

1. Summary of Significant Accounting Policies

Corporate information

The financial report of Vectus Biosystems Limited (the Group) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 31 August 2022.

Vectus Biosystems Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly listed on the Australian Stock Exchange (ASX code: VBS).

The nature of the operations and principal activities of the Group are described in the Review of Operations.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* , Australian Accounting Standards and Interpretations of the Australian Account Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The Group has incurred an operating loss of $3,993,775 for the year ended 30 June 2022 (2021: Operating loss of $3,861,244 (re-stated)) and the net equity deficit has increased from $1,886,197 (re-stated) as at 30 June 2021 to $3,533,995 as at 30 June 2022. The operating cash burn rate for the year ended 30 June 2022 was $4,462,232 (2021: $3,255,532). The cash balance as at 30 June 2022 was $1,281,341. The convertible notes mature on 16 September 2022 and the noteholders are entitled to either convert them into shares or redeem the balance in cash. The above matters give rise to a material uncertainty that may cast significant doubt over the Group’s ability to continue as a going concern. Therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report. However, the Directors believe that the Group will be able to continue as a going concern due to the following mitigating factors in relation to the material uncertainty. With the share price on the ASX being well above the $0.50 conversion price, the Group is confident that all notes will convert into ordinary shares. An amount of $2,190,000 (excluding interest) was converted into shares during the year ended 30 June 2022 and a conversion notice for an amount of $40,000 (excluding interest) is to be converted into shares in early September 2022.

The Directors have prepared detailed cash flow projections for the period of 12 months from the date of signing this Report. The Group is dependent on capital raisings to continue to operate with enough cash on hand for the next 12 months. The Group demonstrated in previous years its success in raising capital, including in October 2021 when an amount of $7 million was raised, before costs. The Directors remain confident that this can be repeated as required to support the Group’s continuing activities, and the Group has budgeted a capital raise of $4 million in October 2022 and a further raising in 2023 if required. Further, in the event of the Group not raising sufficient funds to meet its current cash flow forecasts, the Group will reduce its expenditure accordingly to be able to pay its debts as and when they are due.

Consequently, the Group’s financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities should the Group be unable to continue as a going concern.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Statement of compliance

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Summary of Significant Accounting Policies (continued)

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

AASB 2020-3 Amendmentsto Australian AccountingStandards –AnnualImprovements 2018–2020and Other Amendments[AASB 1, AASB 3, AASB 9,AASB 116, AASB 137 &AASB 141]
The consolidated entity has adopted these amendments to Australian Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

AASB 9 Financial Instruments
AASB 1 First-time Adoption of International Financial Reporting Standards
AASB 3 Business Combinations
AASB 116 Property, Plant and Equipment (PP&E)

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Vectus Biosystems Limited) and the subsidiary (including any structured entities). Subsidiary is the entity the parent controls. The parent 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. A list of the subsidiaries is provided in Note 19.

The assets, liabilities and results of the subsidiary are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of the subsidiary has been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidations at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(b) Property, Plant and Equipment

Property, plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carry amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Depreciation

The depreciable amount of all fixed assets is depreciated on a prime cost method over the assets useful life to the Company commencing from the time the asset is held ready for use. Depreciation is recognised in the profit and loss. The depreciation rates used for each class of depreciable assets are set out below.

Summary of Significant Accounting Policies **(continued)**

Class of Fixed Asset	Depreciation Rate
Plant & Equipment	20% - 40%
Fixtures & Fittings	10% - 20%
Office Equipment	20% - 50%

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from the assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discontinued to their present values in determining recoverable amounts.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within the short-term borrowings in current liabilities in the statement of financial position.

(d) Revenue and Other Income

Revenue is measured at the value of the consideration received or receivable.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

(e) Trade Receivables and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(f) Trade Creditors and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office.

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

Cash Flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities are recoverable, or payable to, the ATO are presented as operating cash flows included in receipts from or payments to suppliers.

(h) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Summary of Significant Accounting Policies (continued)

Other long-term employee benefits
The liability for long service leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payment
The fair value of options or share-based payments granted under the Employee Option Plan is recognised as an employee benefit expenses with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or shares.

At each balance sheet date, the entity revises its estimate of the number of options or shares that are expected to vest or become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(i) Lease liabilities

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

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

(j) Right-to-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the 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.

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

Summary of Significant Accounting Policies (continued)

(k) Financial Instruments

Financial assets
Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Debt and Equity Instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement.

Interest
Interest is classified as an expense consistent with the balance sheet classification of the related debt or equity instruments.

Financial liabilities
The Group classifies its financial liabilities as measured at amortised cost. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk.

These financial liabilities include the following items:
Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Impairment
A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or move events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if not impairment amount was previously recognised in the allowance account.

Summary of Significant Accounting Policies (continued)

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognised the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition
Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Issued Capital

Ordinary shares are classified as equity.

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

(m) Convertible Notes

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible notes, the fair value of the liability component is determined using an equivalent market rate. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished or derecognised on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

Based on the above, classification of Convertible Notes value is in accordance with AASB 9 as per note 13.

(n) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when; it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(o) Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Summary of Significant Accounting Policies (continued)

(o) Intangible Assets (continued)

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Patents and trademarks

Patents are in relation to research and are not capitalised, the costs associated with patents have been included as an expense.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(q) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

Refer note 3 for detailed disclosure of re-statements in relation to 2021 financial year.

(s) Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black & Scholes model, with the applicable assumptions. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

3. Re-statement of comparatives

The Group has made a retrospective change in accounting policy for the annual R&D rebate receivable from the Australian Taxation Office. For the financial year ended 30 June, 2021, and prior financial year ends, the Group recognized the R&D rebate on a cash basis as it was not possible to reliably estimate the amount . For the financial year ended 30 June, 2022 the Group has determined it can reliably estimate the amount of the R&D rebate to be able to account for it on an accruals basis. The retrospective adjustment has resulted in a re-statement of other income for the financial year ended 30 June,2021. Additional to the change in accounting policy above, the Group has also reclassed the R&D Tax incentive as other income for both the 30 June 2022 and 30 June 2021 financial years (historically shown as a credit to income tax expense). For details of the restatement refer to the table below:

	June 2021 $ Reported	$ Adjustment Increase / (Decrease)	June 2021 $ Re-stated
Extract from the financial statements for the year ended 30 June 2021			
R&D Grant Receivable	-	936,405	936,405
Total assets	6,042,576	936,405	6,978,981
Accumulated losses	(29,125,491)	936,405	(28,189,086)
Total Deficit	(2,822,602)	936,405	(1,886,197)
Income tax benefit	383,629	552,776	936,405
Other income	81,590	936,405	1,017,995
Loss after tax	(4,282,569)	421,325	(3,861,244)
Loss per share (cents per share)	(15.20)	1.49	(13.71)

4. Other Income

	2022 $	2021 $
Sales revenue	-	180
R&D tax offset rebate	1,300,000	936,405
EMDG grant	-	31,189
Finance revenue	81	221
ATO cash flow boost	-	50,000
	1,300,081	1,017,995

5. Loss from Ordinary Activities

	2022 $	2021 $
Loss from ordinary activities before income tax includes the following items of expense:		*(Re-stated, refer note 1)*
Expenses		
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	20,189	17,416
	20,189	17,416
Employment benefits and directors' remuneration		
Base salary and fees	1,020,229	1,015,890
Superannuation and statutory oncosts	89,077	80,687
Share based payment expense	8,637	5,440
Other employee expenses	7,500	2,728
Transfers from employee entitlements provisions	10,487	56,430
	1,135,930	1,161,175
Finance Costs		
Borrowing cost - convertible notes	652,223	988,379
Interest on Directors' loan	35,383	78,705
Other finance costs	5,879	7,185
	693,485	1,074,269

Research & Development expense

Research and Development expense	2,107,836	1,219,825
Patent costs	427,816	495,493
	2,535,652	1,715,318

6. Income Tax

(a) Income tax expense

The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:

Loss for year before income tax benefit	(3,993,775)	(3,861,244)
Income tax benefit calculated at 30%	(1,198,132)	(1,158,373)
Temporary differences and tax losses not recognised	1,198,132	1,143,373
Other permanent differences		
Non assessable Cash Flow Boost	-	15,000
R&D tax offset rebate received / receivable	-	-
Income tax benefit	-	-

(b) Deferred tax balances not recognised
Calculated at 30% not brought to account as assets:

	2022 $	2021 $ *(Re-stated, refer note 3)*
Deferred tax assets relating to tax losses		
Revenue tax losses available for offset against future tax income	4,890,298	4,437,801
Net deferred tax asset not recognised in respect of tax losses	4,890,298	4,437,801
Deferred tax assets relating to temporary differences		
Provision for employee entitlements	125,294	122,148
Accruals	266,345	131,765
Share Issue Costs	30,443	16,802
	422,082	270,715
Net deferred tax asset not recognised in respect of temporary differences	422,082	270,715

Relevance of tax consolidation to the consolidated entity

Legislation to allow groups comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes ('the tax consolidation system') was substantively enacted on 21 October 2002. The company and its wholly-owned Australian resident entity have been consolidated for tax purposes under this legislation.

	2022 $	2021 $ *(Re-stated, refer note 3)*
7. Cash and Cash Equivalents		
Cash on Hand	860	860
Cash at Bank and Term Deposits	1,280,481	5,777,264
	1,281,341	5,778,124
8. Other Current Assets		
Prepayments	128,666	150,131
R&D Grant Receivable*	2,236,405	936,405
Inventory	395	-
Goods and Services Tax	81,938	40,968
	2,447,404	1,127,504

The carrying amounts of the group's other current assets are a reasonable approximation of their fair values.

**R&D Grant Receivable for 2021 is re-stated in accordance with note 3 as follows:*

Reported as at 30 June 2021	*-*
Increase	*936,405*
Re-stated at 1 July 2021	*936,405*

	2022 $	2021 $
9. Property, Plant and Equipment		
Plant and Equipment	808,744	666,623
Less: Accumulated depreciation	(615,783)	(598,812)
	192,961	67,811
Furniture & Fittings	15,139	15,139
Less: Accumulated depreciation	(15,139)	(15,139)
	-	-
Office Equipment	75,213	62,991
Less: Accumulated depreciation	(60,666)	(57,449)
	14,547	5,542
	207,508	73,353

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

	Plant and Equipment	Furniture and Fittings	Office Equipment	Total
Balance at 1 July 2021	67,811	-	5,542	73,353
Additions	142,122	-	12,222	154,344
Depreciation	(16,972)	-	(3,217)	(20,189)
Balance at 30 June 2022	192,961	-	14,547	207,508
Balance at 1 July 2020	71,515	-	7,198	78,713
Additions	12,056	-	-	12,056
Depreciation	(15,760)	-	(1,656)	(17,416)
Balance at 30 June 2021	67,811	-	5,542	73,353

	2022 $	2021 $
10. Current Trade and Other Payables		
Trade creditors	120,350	328,272
PAYG withholding payable	28,662	21,927
	149,012	350,199

The carrying amount of the Group's current trade and other payables are a reasonable approximation of their fair values.

		2022	2021
11.	**Other current and non-current liabilities**	**$**	**$**
A.	**Other current liabilities**		
	Accrued expenses*	887,818	439,216
	Lease liability	55,780	18,227
		943,598	457,443
B.	**Other non-current Liabilities**		
	Lease liability	70,266	16,953
		70,266	16,953
	**Accrued expenses include:*		
	Accrued Directors' fees	*348,333*	*384,166*
	Accrued R&D expenses	*351,000*	*-*
	Other accruals	*188,485*	*55,050*
		887,818	*439,216*

The carrying amount of the Group's other current and non-current liabilities are a reasonable approximation of their fair values.

C. Particulars relating to lease liabilities

The Group has entered into finance lease contracts for fixed assets included in property, plant and equipment (note 9).

The balance outstanding on finance lease is accounted as lease liability (current and non-current) in note 11A and 11B.

The financial statements shows the following amounts relating to leases:

	2022	2021
	$	**$**
Depreciation	13,574	6,438
Interest expense (included in finance cost)	3,107	2,675
Value of asset included in property, plant and equipment	173,050	55,106
Total cash flows for finance leases	36,953	23,216
Expense relating to short-term operating leases (included in occupancy expenses)	173,764	11,318

		2022	2021
		$	$
12.	**Provisions**		
A	**Current**		
	Provision for Annual Leave	332,799	329,910
	Provision for Long Service Leave	83,207	75,609
		416,006	405,519
B	**Non-Current**		
	Provision for Long Service Leave	1,642	1,642
		1,642	1,642

The carrying amount of the Group's provisions are a reasonable approximation of their fair values.

		2022	2021
13.	**Borrowings**		
A	**Current borrowings**		
	Loans from Directors	442,291	442,291
	Interest is payable at 8% per annum		
	Secured against R&D cash back from ATO and balance against Company's assets.		
	Convertible Notes (Notes below)	5,447,433	-
		5,889,724	442,291
B	**Non-current borrowings**		
	Loans from Directors	-	-
	Interest is payable at 8% per annum		
	Secured against R&D cash back from ATO and balance against Company's assets.		
	Convertible Notes (Notes below)	-	7,191,131
		-	7,191,131

Convertible Notes

The Convertible Note capital raising announced on 17 September 2019 was completed following approvals at the Company's 22 November2019 Annual General Meeting (AGM). Details are as follows:

Notes: 14,000,000 Convertible Notes, each with a face value of $0.50 each.

Term: 36 months until Maturity Date.

Interest: 6% per annum capitalised and paid on Maturity Date (or investor can elect to convert any unpaid interest on their Notes at the end of each 12-month period into VBS shares at an issue price that is the higher of (i) $0.50 and (ii) 10% below the relevant VWAP).

Conversion: Each Note will be redeemed for $0.50 plus any unpaid interest on that Note. Each Note may be converted into one VBS ordinary share at $0.50 per share. The investors have the right to convert their Notes at any time prior to, or on, the Maturity Date.

Listing and security: The Convertible Notes will not be listed on ASX and are secured.

Valuation: In accordance with AASB 9, the convertible notes are presented in the balance sheet as follows:

	2022	2021
	$	$
Face value of notes issued	7,000,000	7,000,000
Equity component	(1,013,122)	(1,013,122)
Cost of raising convertible notes (nett)	(346,033)	(346,033)
Interest	2,202,509	1,550,286
Redeemed	(2,395,921)	-
	5,447,433	7,191,131

14. Issued Capital

	2022 Number of Shares	2021 Number of Shares	2022 $	2021 $
Ordinary shares - fully paid	36,263,658	31,655,394	27,302,638	24,834,995
	36,263,658	31,655,394	27,302,638	24,834,995

Movements in ordinary share capital of Vectus Biosystems Limited

	2022 Number of Shares	2021 Number of Shares	2022 $	2021 $
Balance at beginning of the year	31,655,394	23,654,816	24,834,995	17,861,819
Shares issued during the year				
Shares issued to KMP	-	-	-	-
Shares issued against redemption of convertible notes	4,602,431	-	2,462,977	-
Other share issues	5,833	8,000,578	4,666	7,200,520
	36,263,658	31,655,394	27,302,638	25,062,339
Transaction costs relating to share issues	-	-	-	(227,344)
Balance at end of year	36,263,658	31,655,394	27,302,638	24,834,995

For the purposes of these disclosures, the Group considers its capital to comprise its ordinary share capital and accumulated retained earnings. Neither the share based payments reserve nor the translation reserve is considered as capital.

Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

15. Equity - Accumulated losses	2022 $	2021 $ *(Re-stated, refer note 3)*
Accumulated loss at the beginning of the financial year	(28,189,086)	(24,327,842)
Loss after income tax expense for the year	(3,993,775)	(3,861,244)
Accumulated loss at the end of the financial year	**(32,182,861)**	**(28,189,086)**

16. Related party disclosures

(a) Subsidiary
Vectus Biosystems Limited has a 100% interest in Accugen Pty Limited.

(b) Key management personnel
Disclosures relating to key management personnel are set out in note 17.

(c) Transactions with related parties
Details of transactions occurred with related parties will be disclosed in the Remuneration Report in the Directors' Report in the Annual Report.

17. Key management personnel

(a) The Directors of Vectus Biosystems Limited during the year were:
Ronald Shnier
Maurie Stang
Karen Duggan
Peter Bush
Susan Pond

(b) The aggregate compensation made to key management personnel of the consolidated entity is set out below:

	2022	**2021**
	$	$
Short-term employee benefits	432,679	377,974
Post-employment benefits	43,085	35,908
Share-based payments	-	-
	475,764	413,882

Futher disclosures relating to the key management personnel will be set out in Remuneration Report in the Directors' Report in the Annual Report.

18. Commitments

(a) Lease commitments - finance

	2022	**2021**
Committed at the reporting date and recognised as liabilities, payable:	$	$
Within one year	55,780	18,227
One to five years	70,266	16,953
	126,046	**35,181**

(b) Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable for the laboratory facility at North Ryde:		
Within one year	14,810	44,520
One to five years	-	-
	14,810	**44,520**

(c) Operating Commitments

Committed at the reporting date but not recognised as liabilities, payable:		
Research and development expenses		
Within one year	1,909,544	3,313,073
One to five years	-	-
	1,909,544	**3,313,073**

(d) Capital expenditure commitments

There are no capital expenditure commitments at the end of the financial year.

19. Interest in subsidiary

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1.

		Ownership interest	
	Principal place of business/	**2022**	**2021**
Name	**Country of Incorporation**	**%**	**%**
Accugen Pty Limited	Australia	100%	100%

20. Subsequent events

There have been no matters or circumstances, which have arisen since 30 June 2022 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2022, of the Group; or

(b) the results of those operations; or

(c) the state of affairs, in the financial years subsequent to 30 June 2022, of the Group.

21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by UHY Haines Norton, Chartered Accountants.

	2022	2021
	$	$
Audit Services - UHY Haines Norton		
Audit and review of financial statements	43,400	41,000
	43,400	41,000

22. Parent entity information

	2022	2021
	$	$
Loss after income tax	(4,149,752)	(3,877,636)
Total comprehensive loss	(4,149,752)	(3,877,636)
Total current assets	4,873,341	8,208,157
Total assets	5,074,890	8,274,394
Total current liabilities	1,508,668	1,212,371
Total liabilities	7,468,658	8,864,387
Equity		
Issued capital and convertible notes (net of share issue cost)	28,190,123	25,848,117
Reserves	458,742	454,771
Retained earnings/accumulated losses	(31,042,633)	(26,892,881)
Total equity	(2,393,768)	(589,993)

Guarantees entered into by the parent entity in relation to the debts of its subsidiary
The parent entity has not entered into guarantee agreement on behalf of its subsidiary.

Operating commitments and Contingent liabilities
Operating commitments and contingent liabilities of the parent entity as at the reporting date are same as of the Group disclosed in note 18 and 28 respectively.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that future sacrifice of economic benfits will be required or the amount is not capable of reliable measurement.

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

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, with exception of the investment in subsidiary that is accounted for at cost.

23. Notes to Cash Flow Statements

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the statement of financial position as follows:

	2022	2021
	$	$
Cash at bank and on hand	1,281,341	5,778,124
	1,281,341	5,778,124

(b) Reconciliation of operating loss after income tax to net cash flows from operating activities

	2022	2021
	$	$
		(Re-stated, refer note 3)
Operating loss after income tax	(3,993,775)	(3,861,244)
Non cash/non-operating items included in profit and loss		
Depreciation and amortisation	20,189	17,416
Convertible Notes interest	593,642	988,379
Share based payments	8,637	189,940
Other adjustments	(119,793)	(351,228)
Changes in assets and liabilities		
(Increase) / Decrease in other assets*	(1,319,900)	12,150
Increase / (Decrease) in trade creditors	(201,187)	(271,204)
Increase in other creditors and accruals	539,468	(36,171)
Increase in employee entitlement provision	10,487	56,430
Net cash used in operating activities	(4,462,232)	(3,255,532)

** Re-stated for 2021*

(c) Changes in liabilities arising from financing activities

	Lease liability	Loan Borrowings	Convertible notes
Balance at 1 July 2021	35,180	442,291	7,191,131
Interest	3,107	35,383	652,223
Payments / adjustments	(37,658)	(35,383)	(2,395,921)
Borrowings	125,417	-	-
Balance at 30 June 2022	126,046	442,291	5,447,433
Balance at 1 July 2020	55,721	957,371	6,202,752
Interest	2,675	75,235	1,053,568
Payments / adjustments	(23,216)	(590,315)	(65,189)
Borrowings	-	-	-
Balance at 30 June 2021	35,180	442,291	7,191,131

24. Operating Segments

The consolidated group had no reportable segments during the year.

25. Reserves

	2022	2021
	$	$
Share based payments reserve		
Balance at beginning of financial year	454,772	270,682
Share based payments during the year allocated to:		
Employees and consultant	8,637	189,940
Directors	-	-
Utilised for share issue	(4,666)	(5,850)
Balance at end of financial year	458,743	454,772

Particulars of options or rights granted over unissued shares

		2022	2021
Weighted average remaining contractual life		0.67 years	1.60 years
Range of exercise prices		$0.00 to $0.50	$0.00 to $0.50
Options or rights on issue			
Employees and consultants		527,099	523,909
Key Management Personnel		-	-
		527,099	523,909
Options or rights granted during the year (Details noted below*)			
Employees and consultants		10,689	513,910
Key Management Personnel		-	-
		10,689	513,910
Shares issued as a result of exercise of options or rights			
Employees and consultants	(at NIL exercise price)	5,833	6,501
Key Management Personnel	(at NIL exercise price)	-	-
		5,833	6,501

***Details of options or rights granted during the year**

	2022 Granted to Employees	2021 Granted to Employees	2,021 Granted to Consultants
Number of options	10,689	13,910	500,000
Exercise price	-	-	0.50
Expiry date	23/02/2027	28/04/2026	24/12/2022
Grant date	7/06/2022	27/05/2021	27/07/2020

26. Loss per share

	2022 $	2021 $
Basic loss per share (cents per share)	(11.97)	(13.71)
Diluted loss per share (cents per share)	(11.97)	(13.71)
Loss used to calculate basic loss per share	(3,993,775)	(3,861,244)
Loss used to calculate diluted loss per share	(3,993,775)	(3,861,244)
Weighted average number of ordinary shares used to calculate basic loss per share	33,375,823	28,171,438
Weighted average number of ordinary shares used to calculate diluted loss per share*	33,375,823	28,171,438
Options and rights eligible for conversion into ordinary shares in future		
Options	527,099	523,909
Convertible notes	9,620,000	14,000,000
	10,147,099	**14,523,909**

**Weighted average number of shares including convertible note options and other options are not included because they were anti-dilutive.*