

Annual Report 2024

Infection Prevention. For Life.



nanosonics
Infection Prevention. For Life.

Overview and mission

With an installed base of over 34,000 trophon® units globally, approximately 27 million patients are protected every year from the risk of ultrasound probe cross contamination.

Our mission

We improve the safety of patients, clinics and 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.

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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Financial highlights

Revenue

\$170.0m

▲ 2% vs FY23

Gross Profit

\$132.4m

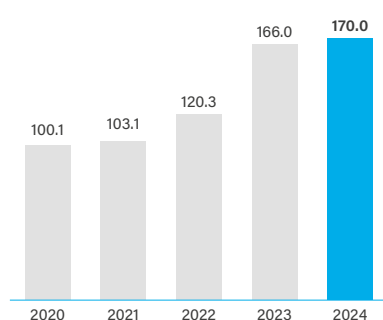
▲ 1% vs FY23

Free Cash Flow

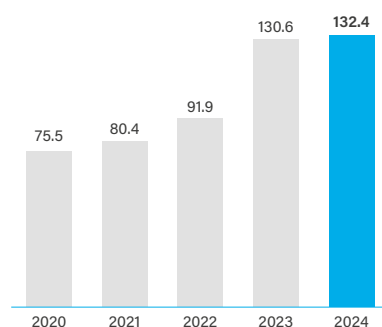
\$20.4m

▲ 3% vs FY23

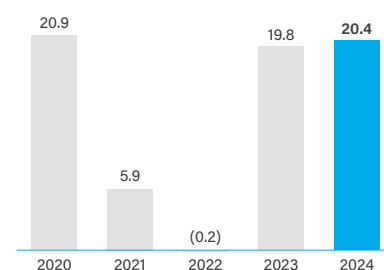
Revenue (\$m)



Gross Profit (\$m)



Free Cash Flow (\$m)



“Significant turnaround in the second half and a solid platform for future growth and expansion.”

Michael Kavanagh
CEO & President



Operating Expenditure

\$125.6m

^ 10% vs FY23

Profit Before Tax

\$13.0m

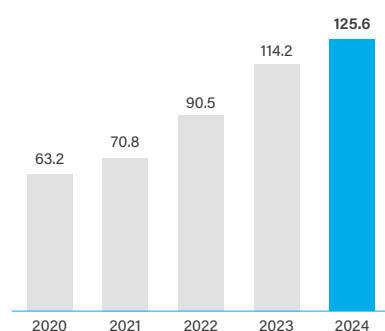
v 40% vs FY23

Cash and Cash Equivalents

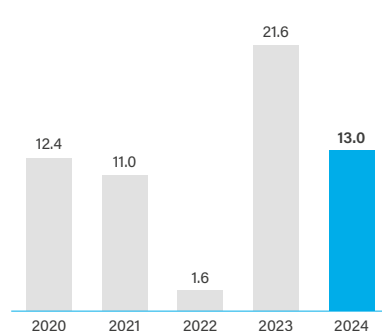
\$129.6m

^ 16% vs FY23

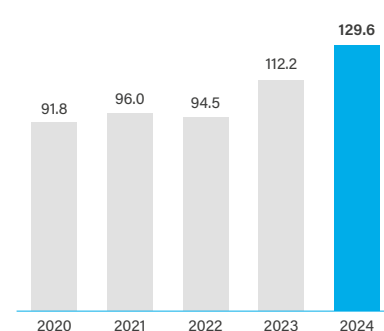
Operating Expenditure (\$m)



Profit Before Tax (\$m)



Cash And Cash Equivalents (\$m)



2015-2024 results

\$'000	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenue	170,012	165,993	120,320	103,079	100,054	84,324	60,698	67,507	42,796	22,214
Gross profit	132,437	130,645	91,905	80,384	75,513	62,816	45,291	50,155	32,166	15,313
R&D expenses	(32,809)	(29,514)	(22,358)	(17,194)	(15,558)	(11,375)	(9,882)	(9,486)	(7,297)	(4,902)
EBITDA	16,749	26,772	7,509	15,188	15,563	17,642	5,861	14,140	950	(4,732)
EBIT	9,117	19,635	1,782	10,763	11,671	15,502	4,362	12,866	(359)	(5,795)
Operating profit/(loss) before tax	12,986	21,596	1,578	10,984	12,459	16,830	5,583	13,852	136	(5,465)
Net income tax (expense)/benefit	(14)	(1,713)	2,164	(2,406)	(2,322)	(3,228)	168	12,306	(14)	5
Operating profit/(loss) after tax	12,972	19,883	3,742	8,578	10,137	13,602	5,751	26,158	122	(5,460)
Cash and cash equivalents	129,552	112,159	94,512	96,027	91,781	72,180	69,433	62,989	48,841	45,724

Letter to shareholders

Our trophon technology has become the gold standard for the automated high-level disinfection of ultrasound transducers.

As we reflect on our journey to date and our vision for the future, our mission remains steadfast: to improve the safety of patients, clinics and 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.

At the heart of this mission lies the aspiration to transform medical device reprocessing to improve patient safety and achieve better healthcare outcomes.

Our progress and opportunity is assisted by a range of favourable industry dynamics. These include a heightened awareness of the importance of infection prevention in a post-COVID world, the increased clinical use and advances in reusable medical devices that require reprocessing, and a desire from our customers for improved workflow efficiencies made possible by automation and connectivity solutions.

These factors all converge to create a great opportunity for substantial growth in our industry and our areas of interest including ultrasound and flexible endoscopes.

Our trophon technology has become the gold standard for the automated high-level disinfection of ultrasound transducers, particularly in markets where relevant standards exist. Importantly, as part of our geographical expansion goals, we continue to invest in clinical trials and education to help to establish improved patient care practices where the requirements for high-level disinfection are not as advanced but are evolving.

As improving patient safety and healthcare outcomes are not the sole preserve of any one department or medical device, our aspirations extend beyond ultrasound reprocessing. Our unique blend of R&D, bioscience and clinical expertise in infection prevention provides the capability to deliver on this aspiration.

Our current product expansion focus, beyond ultrasound reprocessing, is on endoscope reprocessing. Endoscope reprocessing represents a large and growing market and significant opportunity for the Company. There is a recognition that the reprocessing of flexible endoscopes today is complex and challenging. The deficiencies in current practice can expose patients to cross-contamination risks. Our goal is clear: to establish a new standard of care through the introduction of our new platform technology, CORIS, in endoscope reprocessing that improves patient safety and creates better healthcare outcomes.

Beyond trophon and CORIS, the organisation aims to continue to grow its product portfolio through ongoing investment in R&D together with inorganic product expansion through mergers and acquisitions (M&A) focusing on medical device reprocessing.

Michael Kavanagh CEO & President

Steve Sargent Chairman



The 2024 financial year saw the trophon business continue to consolidate its position as the standard of care for automated high-level disinfection of ultrasound transducers. The Company saw continued growth in total installed base globally which was up 7% for the year. Most importantly, the 34,790 trophon units in operation means over 27 million patients annually are protected from the risk of cross contamination from ultrasound probes.

The effects of inflation on hospital capital budget availability were felt during the year which led to an increase in the timeframes to conclude sales in a growing pipeline. This resulted in lower than anticipated capital sales for the year. This was particularly felt in the first half of the year where revenue of \$79.6 million was down 2% on the prior corresponding period, primarily driven by the lower capital sales which were down 15% on the prior corresponding period.

To help alleviate the impacts of the external market factors, the Company implemented a number of measures at the end of H1. These included the introduction of a number of additional customer offerings to bridge budget constraints. In addition, a number of organisational changes, in particular sales territory realignments in North America, were implemented. The outcomes of these measures resulted in the pipeline continuing to grow and importantly, a shortening of the timeframes to convert capital sales.

As a result of these measures, the business experienced contrasting financial performance between the first and second halves. The first half delivered negative revenue growth (PCP) due to lower than anticipated total trophon unit sales. The second half saw substantial improvement resulting in the Company returning to growth in revenue on a full year basis. This growth was particularly evident in North America where new installed base was up 6% over H1 and upgrade units were up 71% over H1.

Looking forward, the pipeline for capital units continues to build and we remain confident in the ongoing growth opportunity of our trophon ultrasound reprocessing business.

The trophon business model continues to generate strong cash flows, high return on capital and strong profitability. This enables the organisation to continue to invest in the drivers of future growth through geographical expansion as well as research and development, all funded from within its cash flow envelope.

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 developing unique strengths in R&D, Bioscience and Clinical/ Medical Affairs which are pivotal to our competitive advantage. We have developed specific expertise in biofilm research which sets us apart. Biofilms, those resilient communities of microorganisms, pose a significant challenge in medical device reprocessing. We've honed our expertise in understanding biofilm formation, persistence and removal. Notably, our scientists can cultivate representative biofilm models within endoscope lumens as small as 1 mm in diameter. This precision allows us to develop targeted solutions designed to combat biofilm-related risks.

Our commitment to patient safety extends beyond product development. We actively participate in standards bodies, advocating for rigorous guidelines and best practices. By shaping industry standards, we ensure that patient wellbeing remains paramount. Our representation in these forums underscores our dedication to elevating healthcare standards globally.

Our next transformational product, CORIS, reached a critical milestone in April 2024 when the FDA De Novo regulatory submission was filed, following the successful completion of the Clinical In-Use Study. The FDA submission represents a significant step toward addressing one of the most critical unmet clinical needs in instrument reprocessing: the cleaning of flexible endoscopes. The Company will continue to work closely with the FDA during the De Novo process while continuing the CORIS scientific program including clinical trials, publication of studies, and presentations at international infection prevention and clinical conferences.

Overall total revenue

\$170m

for the year, growing 2%

With over 60 million flexible endoscope procedures conducted per annum across major Western markets including the United States, Canada, Australia and key European markets, CORIS represents a significant opportunity for the business precisely because of the criticality of the problem that it is designed to solve.

In addition to CORIS, the R&D organisation also progressed a number of important projects in its ultrasound reprocessing and connectivity product roadmaps to advance our future offerings and leadership in this sector.

As mentioned above, there was contrasting financial performance between the first and second half resulting in overall total revenue for the year growing 2% to \$170.0 million.

Specifically, first half revenue of \$79.6 million was down 2% on the prior corresponding period. Second half revenue of \$90.4 million saw a 7% increase on the prior corresponding period and a 14% increase on the first half. This second half increase over the first half was driven by a 20% growth in capital revenue together with strong growth in consumables and service revenue.

The Company saw continued growth in total installed base globally which was up 7% for the year. A total of 2,340 new installed base were placed during the year.

Upgrades represent a significant opportunity for both customers and Nanosonics. Upgrading from the trophon EPR technology to the latest trophon2 technology brings significant benefits to customers in terms of usability, traceability and digitisation. Upgrades also represent a significant opportunity for the business, both in new capital revenue as well as a new recurring revenue opportunity through service contracts.

Letter to shareholders continued

Global upgrade units

1,510

were installed in FY24

Sales of upgrades in the first half were significantly impacted due to hospital budget constraints. While these constraints prevailed throughout the year, the second half saw the biggest half in upgrade unit sales ever in North America with 820 units installed. Globally 1,510 upgrade units were installed during the year. In total, 3,850 trophon2 units were installed during the year.

With a growing pipeline for both new installed base and upgrades internationally, the opportunity for ongoing growth remains strong.

Gross profit margin for the year was 77.9% finishing at the higher end of the range of the Company's FY24 outlook statement.

Ongoing investments in the growth strategy for the organisation resulted in operating expenses of \$125.6 million for the year. This included \$32.8 million associated with investments relating to R&D. The Company was able to adjust investments outside of R&D during the year to take into account the lower revenue growth. Measures taken resulted in a 10% growth in operating expenses compared to the initial 17%-22% projected in the initial FY24 outlook statement. Profit before tax for the year was \$13.0 million, down \$8.6 million from FY23 taking into account the ongoing investments in the long-term strategic growth agenda.

Excluding the investments in our long-term growth strategy, particularly those associated with our new product platform CORIS, the trophon business continues to generate strong profitability and high returns. The profit before tax of the trophon business was \$40.4 million for FY24. This equates to approximately 23.8% of revenue. This return is inclusive of one-off costs associated with a new ERP implementation that is currently underway, as well as investments being made in emerging markets and ultrasound reprocessing R&D, which are not currently contributing significantly to revenue today but have the potential to do so in the future.

Cash and cash equivalents were \$129.6 million at 30 June 2024. The Company also has no debt, providing a strong foundation for continued investment in growth.

Major contributors to the increased cash balance in FY24 were growth in our service contracts with customers paying up-front for multi-year coverage as well as a reduction in inventory without impacting customer delivery times.

Several times a year the management team and the Board analyse the Company's capital management requirements. We consider operating cash flow and assess whether it is within our planning tolerances. We then assess any 'stay in business' capex, growth capex and R&D investments.

After we consider these investments, we then assess any M&A targets we may want to invest in. To date we have not made an acquisition, but growth through M&A is certainly on our radar, which we will undertake with a thoughtful and measured approach.

This disciplined analysis is undertaken through the prism of 'what will generate the best return for shareholders?' The investments outlined above aim to generate much higher returns for shareholders over the medium to longer term than by redistributing capital by way of dividends or share buyback. We will continue to assess these questions regularly as part of our ongoing governance processes.

On behalf of our Board and shareholders, we take the opportunity to recognise the significant efforts of the total Nanosonics team in FY24 as we navigated external market factors while continuing to drive our long-term strategic growth agenda.

Throughout the year we continued to expand our capacity and capability within the organisation where 466 employees globally are all united by the commitment to the Company mission of improving the safety of patients, clinics, staff and the environment.

We are pleased to see the Company's expanding sustainability agenda outlined in the FY24 Sustainability Report. Sustainability is strongly aligned with our Mission and Purpose. It is not just related to our longer-term sustainable growth, but it is also 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. In FY25, we will take steps to use renewable energy sources for our Australian and US operations, and to better understand how we might reduce our scope 3 emissions. We look forward to doing further work and staying aligned with our stakeholders' expectations in this important area.

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 37 different nationalities with 44% of employees being female, with a similar gender representation in senior leader positions. We have made progress in many areas such as the proportion of women at the senior leader level (now 44%), and we are continuing our work in developing the pipeline of talent to improve the number of women represented in senior leadership and at the executive level.

Consistent with prior years, our people focus was recognised with a number of excellent results in Company engagement. Overall engagement for the organisation was 71% which was broadly aligned with industry median. Our engagement survey also highlighted that 94% of employees believe in the overall purpose of the organisation and 93% understand how their work contributes to the goals of the Company.

"Our mission remains steadfast: to improve the safety of patients, clinics and their staff, and the environment."

Michael Kavanagh
CEO & President



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

We would also like to recognise the commitment and stewardship 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.

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 37.5% 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 Subcommittees, add real value to our business.

Despite a challenging market environment, we expect the growth opportunities for the business remain significant. Our trophon technology has been embraced by healthcare professionals as the standard of care in key markets with significant opportunity for ongoing growth. Our CORIS innovation promises to also set a new standard of care in a large and growing market in endoscope reprocessing. We remain committed to continuing our journey to further expand our portfolio of solutions in medical device reprocessing through ongoing R&D as well as potential M&A opportunities.

It is important to recognise that the Nanosonics' share price experienced an adjustment following a challenging first half, in particular, December (an important month in our sales cycle being the last month of the US financial year). Value creation for our shareholders remains very important to us and we consider that the best way to achieve this is to run the existing business as efficiently as possible, and, at the same time, maintain our focus on executing the Company's strategic growth agenda and the significant opportunity that we see ahead.

Despite a challenging first half, we believe we have finished the year well positioned to create value for all our stakeholders by continuing to transform medical device reprocessing for improved patient safety and better healthcare outcomes.

Steve Sargent
Chairman

Michael Kavanagh
CEO & President
27 August 2024

Financial and operational review

In the face of a demanding market landscape where hospital capital budgets are constrained, the growth opportunity for trophon remains significant given the ever-growing emphasis on infection prevention

The effects of inflation on hospital capital budget availability were felt during the year which led to an increase in the timeframes to conclude sales in a growing pipeline. This was particularly marked in upgrade unit volume sales in the first half, as customers continued to use their existing trophon EPR model and deferring the timeline to upgrade to trophon2. This resulted in lower than anticipated total capital unit sales for the year.

Despite ongoing capital budget challenges faced by hospitals, a significant turnaround in the second half was experienced, with a considerable upswing in unit sales. The Company experienced a 20% increase in capital revenue in the second half over the first, together with strong growth in consumables and service. This not only reversed the negative revenue growth in the first half, but steered the Company back to a trajectory of revenue growth for the full year, creating a solid platform for future growth and expansion.

	H1	H2	% CHANGE (H2 VS H1)	FY24 TOTAL
REVENUE (\$MILLION)				
Capital	21.9	26.3	20%	48.2
Consumables & service	57.7	64.1	11%	121.8
Total	79.6	90.4	14%	170.0
UNITS¹				
New IB	1,100	1,240	13%	2,340
Upgrades	620	890	44%	1,510
Total	1,720	2,130	24%	3,850

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

Installed base

The total global installed base grew 7% for the year with 34,790 trophon units now in operation around the world.

Cumulative installed base

^7%

in the last 12 months

New installed base

√10%

FY24 vs FY23

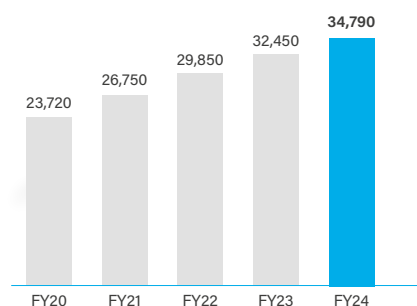
^13%

FY24 H2 vs FY24 H1

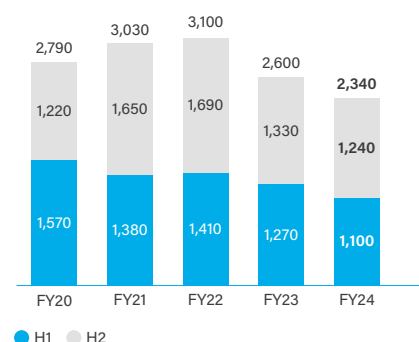
The total global installed base grew 7% for the year with 34,790 trophon units now in operation around the world. Importantly, 34,790 trophon units in operations means over 27 million patients are protected from the risk of ultrasound probe cross-contamination annually.

A total of 2,340 new installed base were placed during the year. New installed base growth declined 10% compared to the prior corresponding period due to a range of market conditions including hospital capital budget constraints.

Global total installed base (units)



New installed base (units)



Graphs are not to scale and therefore not comparable.

Cumulative installed base**^7%**

in the last 12 months

New installed base**√12%**

FY24 vs FY23

^6%

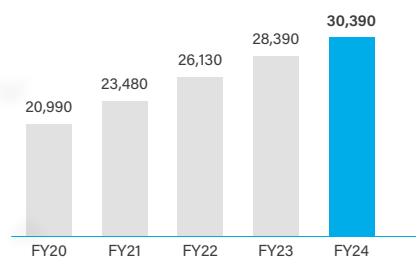
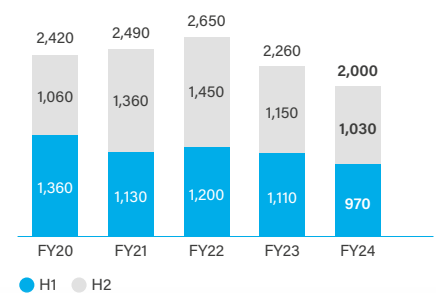
FY24 H2 vs FY24 H1

North America

In North America, the installed base grew 7% or 2,000 units for the year where the total installed base has now reached 30,390 units representing approximately 50% of the estimated total addressable market. The growth in new installed base for the year was down 12% compared to the prior corresponding period. The effects of inflation on hospital capital budget availability were felt during the year which lead to an increase in the timeframes to conclude sales. This resulted in lower than anticipated unit sales for the year in particular in the first half.

The second half saw improved, growth in new installed base sales up 6% in H2 over H1 with 1,030 units sold.

With over 270,000 ultrasound units in operation in North America and an estimated TAM of 60,000 trophon units, the opportunity for ongoing growth in trophon installed base remains significant¹. This growth opportunity exists both in hospitals not currently using trophon and, importantly, in the significant number of hospitals who have already adopted trophon in some but not all relevant departments. A significant percentage of current new IB sales are associated with expansion into these relevant departments. Outside of the hospital segment, it is estimated that 10,000 of the remaining 30,000 TAM is in the private physician office market where we partner with a number of distributors that provide Nanosonics with greater access to this segment.

Total installed base (units)**New installed base (units)**

1. Nanosonics analysis based on updated ultrasound information commissioned by Nanosonics and an estimated trophon to ultrasound attachment rate, 2022.

Cumulative installed base**^11%**

in the last 12 months

New installed base**^16%**

FY24 vs FY23

^75%

FY24 H2 vs FY24 H1

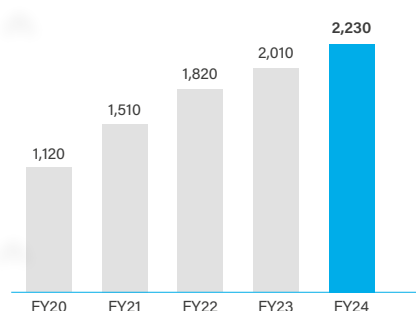
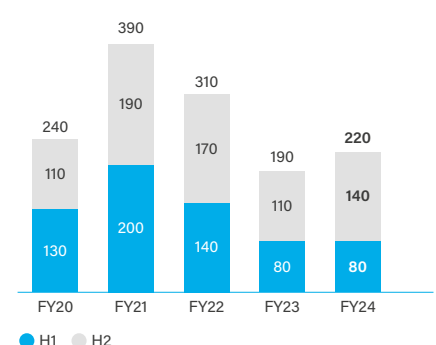
Europe and Middle East

New installed base of 220 units grew by 16% compared with the prior corresponding period with a stronger performance in H2 over H1.

The Company continues to invest in its growth plans for the EMEA region.

In France, Nanosonics has recently established a partnership with Ecolab as our distributor for that market. This new collaboration has led to trophon being successfully listed as an independent disinfection device category on the UGAP public hospital tender. This distinction underscores the trophon technology's unique value and broadens its accessibility to French public hospitals. Nanosonics has also signed distribution agreements with Ecolab in a number of the ME countries and Turkey.

In the UK and Ireland we've taken a step further by partnering with Ecolab to distribute their Soluscope TEE (Transesophageal Echocardiography) ultrasound disinfection solution, thereby diversifying our product offerings to encompass all ultrasound modalities.

Total installed base (units)**New installed base (units)**

Financial and operational review continued

Cumulative installed base

^6%

in the last 12 months

New installed base

√20%

FY24 vs FY23

^40%

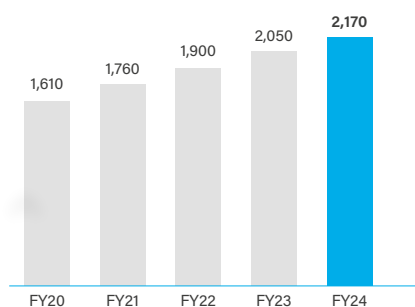
FY24 H2 vs FY24 H1

Asia Pacific

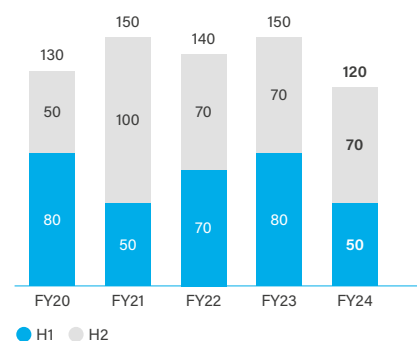
In Asia Pacific, the total installed base increased 6% to 2,170, with 120 units installed. The majority of this growth is in the ANZ market which is highly penetrated (>75%), with trophon continuing to be the market leader.

The Company continues to invest in its expansion plans in the Asia Pacific region with a primary focus on Japan. Progress is being made on the development of national based guidelines similar to those in other international markets.

Total installed base (units)



New installed base (units)



Graphs are not to scale and therefore not comparable.



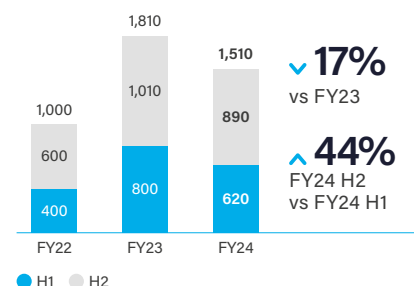
Upgrades

Major turnaround in H2

Upgrades represent a significant opportunity for both customers and Nanosonics. Upgrading from the trophon EPR technology to the latest trophon2 technology brings significant benefits to customers in terms of usability, traceability and digitisation. Upgrades also represent a significant opportunity for the business both in new capital revenue as well as new recurring revenue opportunity through service contracts and continued consumables sales.

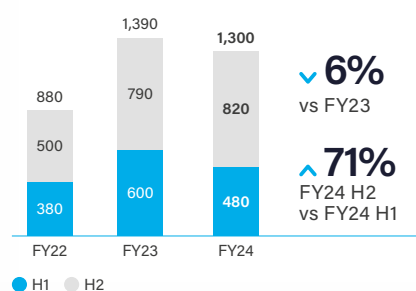
After a challenging first half, upgrade sales accelerated in the second half of FY24. This growth was particularly evident in North America where upgrade units were up 71% over the first half. The 820 upgrades sold in H2 in North America represented a record half for upgrade sales in that region. North America continues to represent the greatest opportunity for upgrades due to the size of the older trophon EPR installed base.

Global



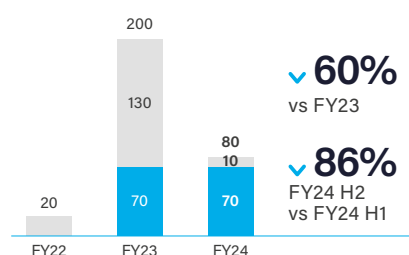
North America

North America upgrades up 71% in H2 over H1, the strongest half to date. 1,300 trophon units were upgraded in North America. The upgrade opportunity in North America remains strong with approximately 30% of the current installed base over 7 years of age.



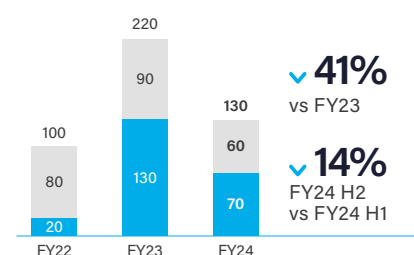
Europe and Middle East

Less opportunities for upgrade in Europe and Middle East based on size of current installed base with high percentage of original trophon EPR devices upgraded. Upgrade installations were down 60% compared to FY23.



Asia Pacific

Less opportunities for upgrade in Asia Pacific based on size of current installed base with high percentage of original trophon EPR devices upgraded. Upgrade units for the year were down 41% with 130 upgrades installed.



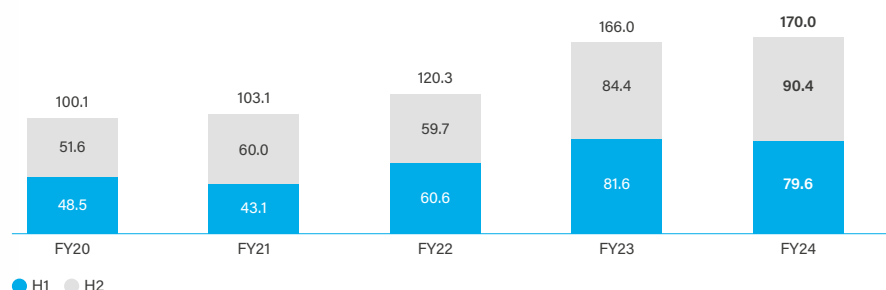
Global revenue

Business Experiences

Total revenue for the year was \$170 million, up 2% on the prior corresponding period (0% in constant currency)

As outlined above, a significant turnaround in the second half was experienced. This reversed the negative revenue growth in the first half and saw the Company achieve a 13% growth in revenue in H2 over H1. This resulted in overall total revenue for the year growing 2% to \$170.0 million.

Total revenue (\$m)



Total revenue

\$170.0m

2%

vs FY23

14%

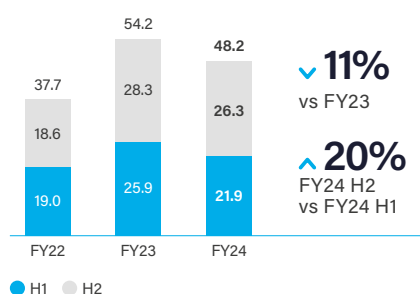
FY24 H2 vs FY24 H1

Financial and operational review continued

Capital revenue

Total capital revenue for the year was \$48.2 million, down 11% (13% in constant currency¹) on the prior corresponding period. The second half saw capital revenue grow 20% over the first half to \$26.3 million.

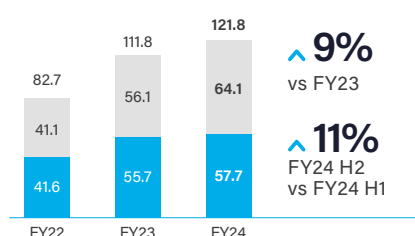
Capital revenue (\$m)



Recurring revenue

Recurring revenue from consumables and service for the year was \$121.8 million up 9% (6% in constant currency¹) on the prior corresponding period. Revenue growth accelerated in the second half, with second half revenue of \$64.1 million, 11% higher than the first half resulting from growth in the installed base, growth in service revenue through Nanosonics' direct service operations and favourable foreign exchange.

Recurring 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 0.66 (FY23: 0.67)

\$154.2m

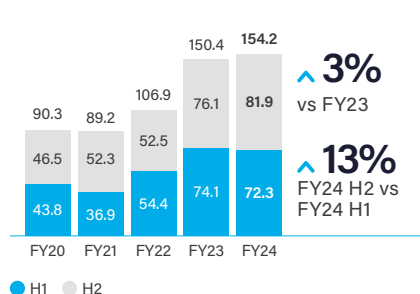
↑ 3% vs FY23 (Total revenue)

North America revenue

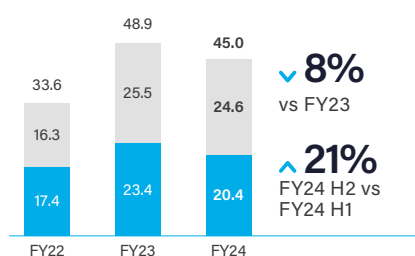
Total revenue for the year in North America was \$154.2 million, up 3% on prior corresponding period

First half revenue of \$72.3 million was down 2% on the prior corresponding period. Second half revenue of \$81.9 million saw a 7% increase on the prior corresponding period. Importantly the second half saw a 13% increase over the first half. This second half increase over first half was driven by growth across capital sales and recurring revenue. Capital sales grew as a result of faster sales conversion timelines. Upgrade units sales in particular accelerated in the second half of FY24, up 71% in H2 over H1. The growth in recurring revenue was supported by growing ultrasound procedures as well as growth in the number of units under direct service contract with Nanosonics.

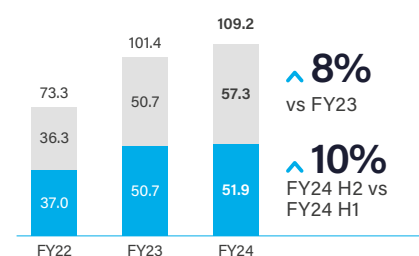
Total revenue (\$m)



Capital revenue (\$m)



Recurring revenue (\$m)



\$10.1m

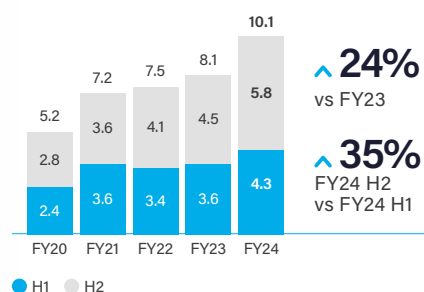
^ 24% vs FY23 (Total revenue)

Europe and Middle East revenue

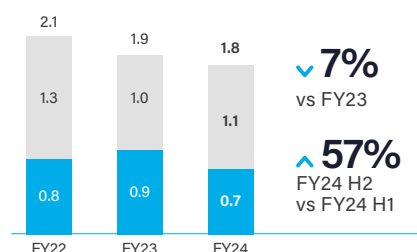
Total revenue for the year in Europe and Middle East was \$10.1 million, up 24% on prior corresponding period

Capital revenue for the year of \$1.8m is down 7% on the prior corresponding period. It should be noted that a significant proportion of capital units in EMEA are placed under the MES model which does not require payment for capital, however the Company receives a higher ongoing consumables price. Recurring revenue associated with consumables and service was \$8.3 million, up 33% on the prior corresponding period. This increase reflects the growth in installed base over the past few years, increase in consumables usage and the first full year of direct operations in Ireland.

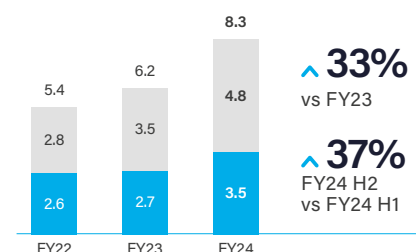
Total revenue (\$m)



Capital revenue (\$m)



Recurring revenue (\$m)



Graphs are not to scale and therefore not comparable.

\$5.8m

✓ 23% vs FY23 (Total revenue)

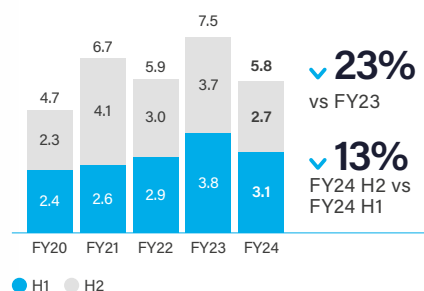
Asia Pacific revenue

Total revenue for the year in Asia Pacific was \$5.8 million, down 23% on prior corresponding period primarily associated with lower capital unit sales in ANZ reflecting a highly penetrated market

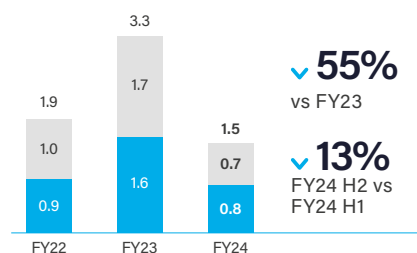
The primary driver of the reduction in capital revenue was a 41% decrease in the number of upgrade units placed during the year (reducing from 220 in FY23 to 130 in FY24). This decline in upgrades was due to successful upgrade campaigns in previous years where a significant percentage of the older trophon EPR fleet in ANZ were upgraded.

Recurring revenue from consumables and service grew 2% to \$4.3 million.

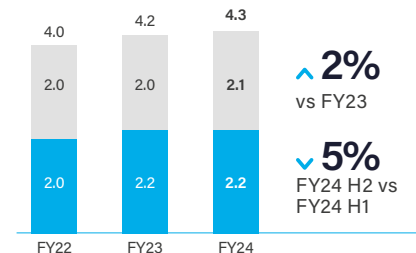
Total revenue (\$m)



Capital revenue (\$m)



Recurring revenue (\$m)



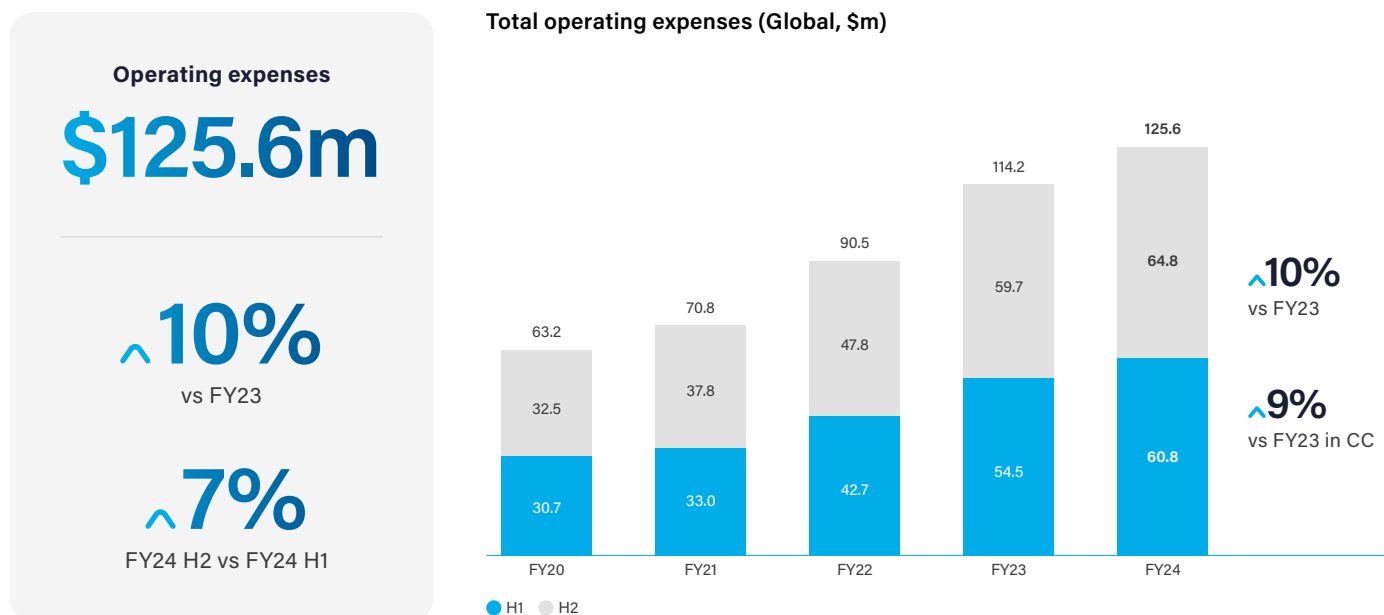
Financial and operational review continued

Other financial results

Gross profit

Gross profit margin for the year was 77.9% compared with 78.7% in the prior corresponding period. This is primarily driven by the decision to do a one-off slow down in production in the second half of the year to lower working capital and return inventory to desired levels, product mix with more trophon units sold in H2 over H1.

Total operating expenses



Investing for growth - operating expenses

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

Global operating expenses of \$125.6 million, can be broadly broken into the following categories:

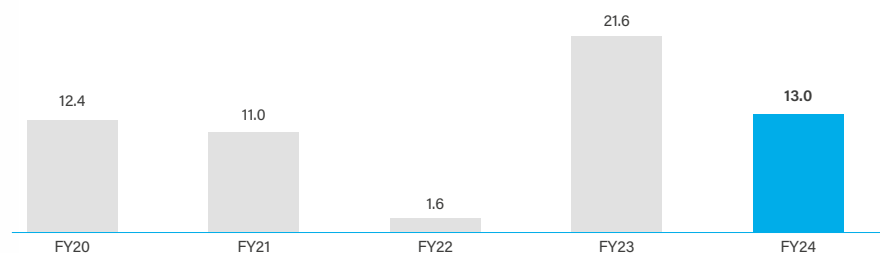
- Investment in established markets that drives and funds the operations of the business today. This accounts for 38% of the total expense (40% in FY23). This includes market development investments which drive ongoing growth in markets with established fundamentals for adoption such as the USA, ANZ, UK, Canada and Ireland where the majority of our current revenue is derived.
- Investment in developing markets underpins growth for the future. This accounts for 6% of the total expense (6% in FY23). This includes expansion of geographical presence in emerging trophon markets such as Japan, China and a number of European markets.
- R&D representing approximately 26% (26% in FY23) of operating expenses. During the year, the Company invested \$32.8m in R&D, up 11% compared with the prior corresponding period. 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.
- Investment in infrastructure and capability which accounts for approximately 30% (28% in FY23) of operating expenses. This drives scalable operations, HQ support capacity and capability and transformation of our digital capability with investments in enterprise-wide digital tools and platforms. During the year, over \$1 million was invested in the new ERP system implementation which commenced in FY24.

Other income and profit before tax

Other income

Other income for the year was \$1.7 million, up \$0.4 million compared with FY23. The increase in other income was mainly attributable to NSW State Government funding associated with the Jobs Plus Program.

Profit before tax (Global, \$m)



\$13.0m
vs FY23

Profit before tax

Profit before tax for the year was \$13.0 million down \$8.6 million from FY23 taking into account the impact hospital capital budget constraints on overall capital sales for the year, as well as ongoing investments in the long-term strategic growth agenda.

Working capital

Free cash flow

\$20.4m
in the last 12 months

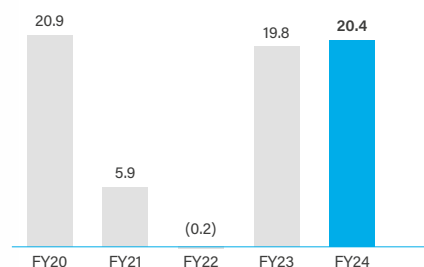
Cash and cash equivalents

\$129.6m
at 30 June 2024

Inventory

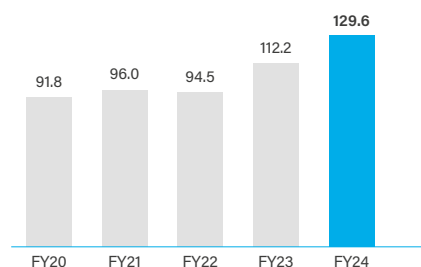
\$20.2m
at 30 June 2024

Free cash flow (Global, \$m)



Free cash flow of \$20.4 million was up 3% on the prior corresponding period, significantly higher than profit before tax. This was driven by an increase in service contracts with customers paying up-front for multi-year service as well as a reduction in working capital. The business was able to reduce inventory without impacting customer delivery times.

Cash and cash equivalents (Global, \$m)



Cash and cash equivalents were \$129.6 million at 30 June 2024. The Company has no debt, providing a strong foundation for continued investment in growth organically and inorganically.

Inventory

During the year, the Company's inventory decreased \$5.3 million to \$20.2 million reflecting management's one-off decision to slow down production in the second half of FY24 to lower working capital and reduce inventory to desired levels.

Trade and other receivables

Total trade and other receivables increased by \$0.9 million to \$39.7 million.

Financial and operational review continued

Investment in R&D

\$32.8m

▲ 11% vs FY23

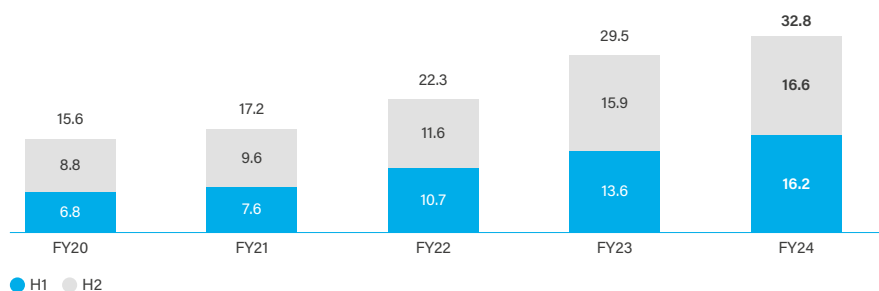
Research and development

During the year, the Company invested \$32.8 million in R&D up 11% compared with the prior corresponding period

In addition to our Endoscope Reprocessing program with CORIS, the R&D organisation also progressed a number of important projects in its ultrasound reprocessing and connectivity product roadmaps to advance our future offerings and leadership in this sector.

The Company has also built depth in its capacity and capabilities developing unique strengths in R&D, Bioscience and Clinical/Medical Affairs which are pivotal to our competitive advantage. We have developed specific excellence in biofilm research which sets us apart. Biofilms, those resilient communities of microorganisms, pose a significant challenge in medical device reprocessing. We've honed our expertise in understanding biofilm formation, persistence and removal. Notably, our scientists can cultivate representative biofilm models within endoscope lumens as small as 1 mm in diameter. This precision allows us to develop targeted solutions that effectively combat biofilm-related risks.

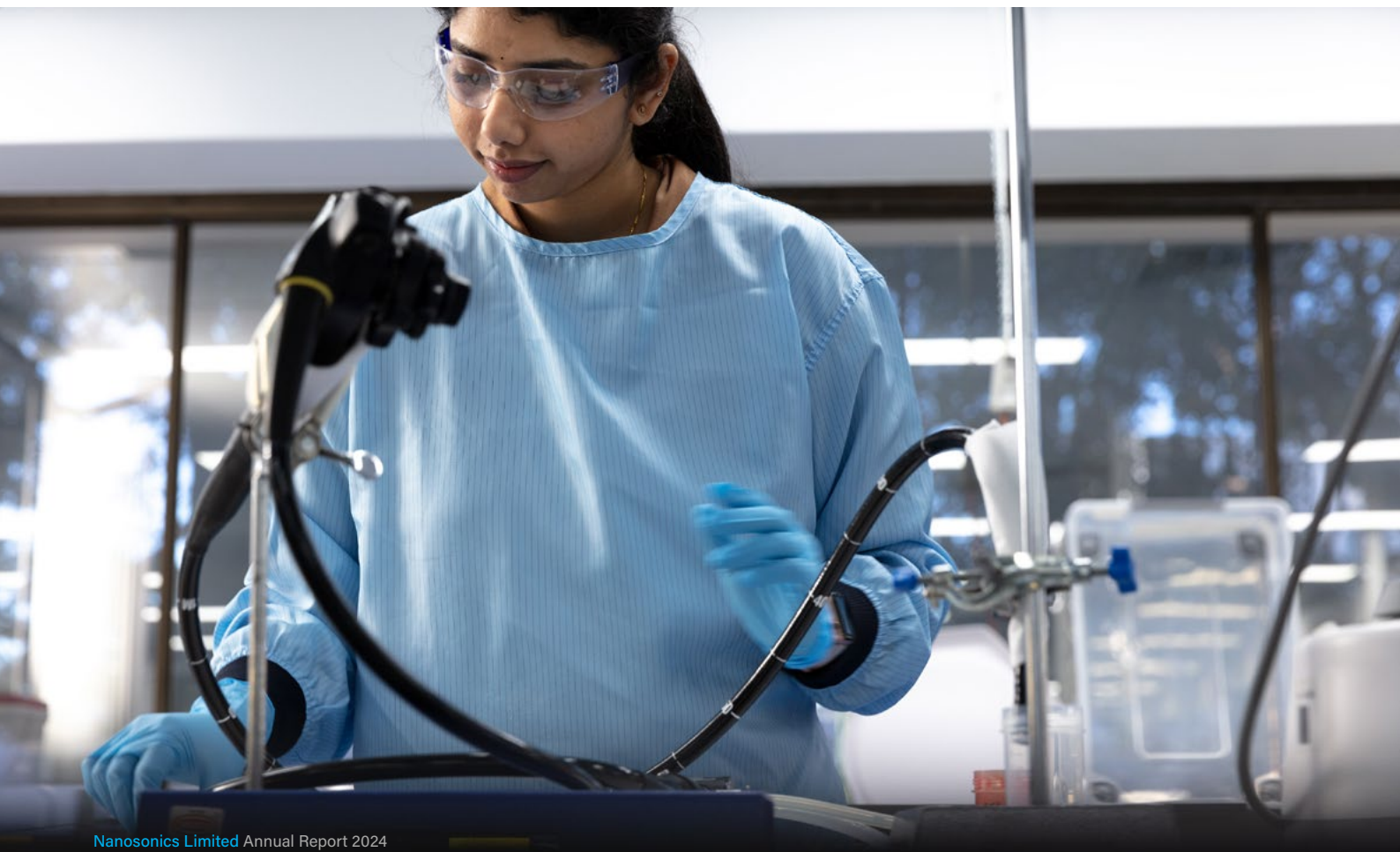
R&D expenses (Global, \$m)

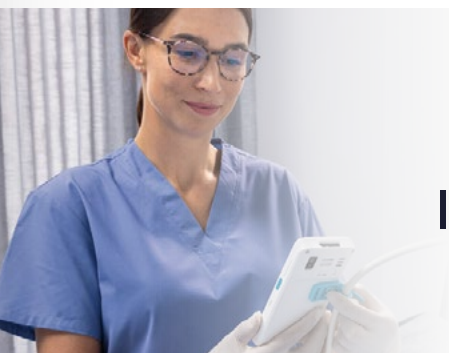


R&D as a % of total revenue

19%

vs 18% in FY23





Four core areas of R&D focus

Infection Prevention. **For Life.**

1

Ultrasound
reprocessing

2

Endoscope
reprocessing

3

Compliance and
traceability

4

New innovation
research

Key capabilities

✓ Chemistry

✓ Physics

✓ Biosciences

✓ Microbiology

✓ Medical affairs

✓ New product
introduction

✓ Cloud solutions

✓ Engineering

- Systems
- Mechanical
- Industrial design
- Electrical
- Software



Financial and operational review continued

The Company has no debt, providing a strong foundation for continued growth both organically and inorganically.

Intellectual property

Nanosonics continues to recognise the importance of its intellectual property (IP) portfolio in maintaining its sustainable competitive advantage. During FY24, Nanosonics built upon its existing IP portfolio by filing patent applications establishing seven new utility patent families. Notably, Nanosonics' previous investments in its IP portfolio bore fruit in FY24 as Nanosonics was granted patent protection in relation to various endoscope channel cleaning technologies as well as technologies embodied in the trophon2 HLD System. Moreover, Nanosonics was similarly granted various design registrations (i) in relation to its CORIS Endoscope Channel Cleaner and (ii) in relation to its wireless probe accessory for use with the trophon HLD System.

Nanosonics continues to leverage its dedicated IP function to actively manage its program of IP development and conduct third-party IP analyses 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. The Company has no debt and continues to regularly review its capital management strategy. Several times a year the management team and the Board analyse the Company's capital management requirements. We consider operating cashflow and assess whether it is within our planning tolerances. We then assess any 'stay in business' CAPEX, growth CAPEX and R&D investments.

In this respect, the Company recently hired a dedicated resource to identify potential M&A opportunities with a particular focus on opportunities within the medical instrument reprocessing sector.



BUSINESS OUTLOOK — FY25

Looking forward, the pipeline for capital units continues to build and we remain confident in the ongoing growth opportunity of our trophon ultrasound reprocessing business.

The targets for FY25 include¹:

- **Total revenue growth of 8%-12%**
 - Growing capital revenue with increased unit volumes over FY24.
 - Increasing recurring revenue aligned with growth in installed base and upgrade sales.
- **Gross margin of between 77%-79%**
 - Higher production volumes in FY25 after reducing inventory in FY24.
- **Operating expenses to grow between 6%-10%**
 - Includes ongoing investment in CORIS and other R&D.
 - One-off expenses associated with the introduction of a new ERP.
 - Expecting positive operating leverage in trophon only business.

BEYOND FY25

In addition to the targeted growth in FY25, beyond FY25 Nanosonics is targeting:

- Continued expansion of the trophon franchise across all regions, including growth in installed base, upgrades, and consumables/service;
- Together with ongoing leadership in North America, it is expected that EMEA and Asia Pacific will become material contributors to the global trophon business;
- International commercialisation of the CORIS Endoscope Reprocessing Platform;
- Opportunities for strategic acquisitions will continue to be identified and assessed; and
- 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.

Total revenue growth

8%-12%

Gross margin

77%-79%

Operating expenses growth

6%-10%

1. The FY25 outlook assumes a USD/AUD rate of 0.67.

Our Commitment to Sustainability



Michael Kavanagh CEO & President

“Sustainability is a key consideration for our business, and one that is fully aligned with our Values and Mission. Our unique healthcare solutions are neatly aligned with sustainability principles which means we aspire to transform medical device reprocessing for improved patient safety and better healthcare outcomes whilst addressing our customers’ important infection control needs.”

Michael Kavanagh
CEO & President

Dear Stakeholders,

We are pleased to present Nanosonics’ FY24 Sustainability Report. We are proud to share the sustainability strategy which is focused on five core pillars: caring for our customers and their patients, partners, people, planet and community. Our dedication to responsible business practices has enabled us to develop a robust and meaningful sustainability strategy that aligns with our core values and enables us to work towards our vision of being a sustainable, responsible global business.

Our expanding sustainability agenda, detailed in this FY24 Sustainability Report, reflects our Mission which is outlined further in these pages:

- We contribute positively through our core business activities. This creates a positive impact for many of our stakeholders such as customers, patients and the community and generates financial returns for our investors.
- Our core product has strong environmental credentials. trophon technology produces only environmentally friendly oxygen and water as by-products, eliminating the need for toxic chemicals and large quantities of water.
- When we consider Nanosonics as a whole, it is not a company in the highest category of emitters when compared to many other larger and/or international businesses. Our consultants, Pangolin & Associates, confirm that Nanosonics’ emission are relatively low compared to industry benchmarks.
- We have taken active steps to ‘play our part’ to measure and reduce emissions and help combat the effects of climate change for society. In this year’s Report we are pleased to set an ambition for emissions reductions for scopes 1 and 2 in the coming years. We have also indicated that we will continue to explore opportunities to reduce scope 3 emissions.

In this context, we are proud of our commitment to take responsibility for the emissions that we generate and do our part in what is a challenge for the communities in which we participate.

Michael Kavanagh
CEO & President

FY25 targets

Caring for our customers and their patients



Continue growth in the number of patients protected against the risk of cross-contamination through the use of our trophon technology

Zero material adverse events/recalls

Maintain all relevant regulatory approvals globally

Receive QMS certification for 100% of Nanosonics' sites

Caring for our partners



Conduct multiple on site modern slavery audits with tier 1 suppliers

Conduct further remediation activities with key suppliers (note: no suppliers were classified as 'high risk')

Investigate modern slavery risks associated with all new suppliers associated with CORIS

Seek to maintain 100% compliance on all training modules associated with the Code of Conduct & Ethics

Caring for our people



Achieve FY25 diversity, equity and inclusion objectives set out in this Report

Maintain or exceed employee engagement at or above FY24 level of 71%

Achieve below NSW Safe Work Industry target for safety incidents (LTIFR)

Caring for our planet



Use 100% renewable energy source for Australian and US business operations by end of FY25 to significantly reduce both scope 1 and 2 emissions.

Identify opportunities for reducing scope 3 emissions, in particular through our manufacturing and supply chain strategy

Meet the APCO annual reporting requirements by increasing the review of our packaging from 20% to 40% against the Sustainable Packaging Guidelines

Caring for our communities



Exceed 10% of total workforce training in Mental Health First Aid to maintain recognition of Skilled Mental Health First Aid Workplace

Identify further opportunities to advance the commitments expressed in our RAP statement, in particular, employment or internship opportunities



Leading ultrasound reprocessing



Safer for patients, staff and the environment – that's the power of nebulised hydrogen peroxide

trophon¹ is the only automated HLD solution for ultrasound probes that uses hydrogen peroxide chemistry

Hydrogen peroxide is a highly effective and trusted disinfectant due to its broad-spectrum antimicrobial activity, and it naturally decomposes into non-toxic byproducts (water and oxygen) making it environmentally safe.

Hydrogen peroxide works by breaking down the essential components of pathogens, such as lipids, proteins and DNA. Bacteria, viruses, fungi and spores can all be destroyed or deactivated by hydrogen peroxide, with a broad and overwhelming mechanism of action that typically defies the ability of pathogens to evolve resistance. Recently, the FDA added vapourised hydrogen peroxide to the list of Established Category A sterilisation methods.²

trophon uses hydrogen peroxide of a carefully controlled purity and concentration in a proprietary protective container and delivers HLD by generating a 'sonically activated' mist that envelopes the ultrasound probe in a secure chamber. This mist ensures the total surface area of the probe is covered accessing any microbes irrespective of the surface topology of the probe. While only 2 ml of hydrogen peroxide is used per cycle, the disinfection occurs in a fully enclosed system making trophon suitable for continuous use directly in patient treatment rooms. Towards the end of the cycle any residual hydrogen peroxide mist is automatically converted into oxygen and water leaving the probe decontaminated, dry and ready for the next patient.

Deadly for organisms

The trophon technology has demonstrated microbial efficacy against the widest range of clinically relevant pathogens, including bacterial endospores, mycobacteria, fungi, vegetative bacteria and viruses. 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).

trophon represents the gold standard and is the only automated solution for the HLD of ultrasound probes that has been awarded with both FDA classification and CE-Mark registration.

1. "trophon" refers to trophonEPR and the trophon2 products

2. FDA Facilitates Broader Adoption of Vaporized Hydrogen Peroxide for Medical Device Sterilization, FDA (Jan 2024). Ratliff K et al. Letters in Applied Microbiology 2022; 75:933-41.

Designed to HLD probe surfaces in the real world

Ultrasound probes vary in design and topology

Ultrasound probes vary widely in design to meet specific imaging needs, fit different body parts, be easy for clinicians to handle, and suit both children and adults. In addition, ultrasound probes may be designed with bends, notches and grooves to enhance grip for the operator, to help align the probe to anatomical structures, or to allow fitment of needle guides to stabilise and align needles for biopsies and injections. Therefore, it's essential for any HLD solution to accommodate the diverse range of probe designs used in clinical practice.

Real-world probes are subject to in-use damage

Clinical use presents a challenging environment for ultrasound probes, and wear and tear to these delicate instruments is common. Probes can be dropped, knocked, scored with needles, subjected to harsh cleaning and rubbed against rough surfaces. Even with regular maintenance, ultrasound probes in healthcare facilities often have surface scratches, holes, and cracks, potentially exacerbated by using reprocessing methods not approved by the probe Original Equipment Manufacturer (OEM).

Additionally, most healthcare surfaces are textured even though they appear smooth - this includes plastic polymers, which can contain microscopic cracks and crevices that are invisible to the naked eye.¹ These crevices are often large enough to enclose significant numbers of pathogens.²

Due to the tough conditions in healthcare settings, the FDA requires HLD to be established using 'penicylinder tests'.³ These tests use small glass or porcelain cylinders to mimic complex surfaces and hard-to-reach areas found in real life.

trophon is the only automated point-of-care HLD solution to pass the FDA's demanding penicylinder tests

Only trophon uses a nebulised hydrogen peroxide mist capable of covering the surfaces of compatible ultrasound probes regardless of shape, form or size. As such, trophon is the only point-of-care automated HLD technology for ultrasound probes that passes the 'penicylinder test' required by the FDA.

"We perform about 8-10 biopsies per day in Ultrasound, and Interventional Radiology has a similar number of cases. We probably use around 20 transvaginal probes per day, and all of those probes are reprocessed with the trophon devices. We also handle the HLD of ultrasound for other departments, like emergency, labor and delivery, etc., so our trophon units get high volume usage. I like that the trophon2 device offers built-in traceability by recording lot number and expirations of chemical and indicators, as well as operator details. I'm able to track if something were to go wrong - I'd know who to talk to. Overall, the trophon2 device has great functionality, ease of use, and automation."

Lynn Stebner

Section Head - Ultrasound, Royal Inland Hospital
Interior Health

1. Ratliff K et al. Letters in Applied Microbiology 2022; 75:933-41.

2. Kowalski W et al. J Microbiol Methods 2022; 200:106541

3. FDA guidance <https://www.fda.gov/regulatory-information/search-fda-guidance-documents/content-and-format-premarket-notification-510k-submissions-liquid-chemical-sterilant-high-level>

trophon®2 continued

Standards-compliant traceability

Confident capture of traceability information for customers to demonstrate compliance to global and national standards

Healthcare facilities recognise that the accurate capture of traceability records for medical device reprocessing is crucial for ensuring patient safety by confirming proper disinfection and reducing infection risk. It also helps healthcare facilities comply with regulations, maintain quality control, and provide for audits and inspections.

trophon helps facilities capture and store traceability records by using computerised logging to track cycle data, physical indicators to confirm disinfection, operator cards to log personnel, and printers to label disinfected probes. It can be customised to fit different needs and workflows.

Growing support for customers in their quest for digitalisation

Healthcare facilities are digitalising reprocessing traceability processes to improve accuracy and efficiency by reducing human error and streamlining workflows. Digital systems can also enable real-time monitoring and easier compliance with regulatory standards, while also enhancing data security and traceability.

Additionally, digitalisation facilitates detailed data analysis, helping facilities identify trends and optimise processes. It also reduces costs associated with paper records and manual tracking, leading to overall cost savings.

However, healthcare facilities vary greatly on their journey to digitalisation – therefore it's important that the trophon digital ecosystem meets their current needs and provides a roadmap for their future ambitions.

- Acutrace™ – traceability implemented via RFID technology across the workflow to capture digital records to support facility audit.
- AuditPro™ Digital Logbook – a handheld device and software that allows facilities to replace their paper logbooks.

- AuditPro™ Cloud – an internet cloud-based solution that supports advanced healthcare providers and multi-facility networks with consolidated, detailed, compliant, and easily accessible traceability documentation and real-time monitoring for proactive compliance monitoring.

Meeting the needs of a rapidly evolving cybersecurity landscape

Healthcare facilities are increasingly anxious about cybersecurity due to the need to protect sensitive patient data and maintain operations. Ensuring compliance with regulations, which can vary from country to country, is also critical, as non-compliance can lead to substantial fines and legal sanctions.

Nanosonics takes its cybersecurity obligations to customers very seriously. The organisation is ISO27001 certified and completed over 30 security assessments for customers in FY24 alone. The cybersecurity landscape is constantly evolving, and Nanosonics is committed to evolving with it.

AuditPro™
nanosonics

Standardising ultrasound
infection prevention practices



Endorsed by more OEMs and clinicians

Endorsed by clinicians globally

Nanosonics has a long-standing legacy of the trophon brand in key global markets and we are grateful for the trust that thousands of hospitals and thousands of clinicians place in us every day – our customers collectively operate over 34,000 units globally, protecting approximately 27 million patients from the risk of ultrasound probe cross contamination every year.

Compatible with more than 1,300 different probes

It's crucial that trophon is safe for customers' ultrasound probes, as well as their staff, patients, and the environment.

Nanosonics collaborates with major and specialised ultrasound probe manufacturers to ensure their probes are tested, approved and endorsed for use with trophon devices. The compatibility list has grown to over 1,300 probes from 26 OEMs, making Nanosonics the industry leader in scientifically proven probe compatibility. Leading OEMs now even anticipate trophon compatibility by using trophon devices as a part of the development cycle for new-to-world probes.

Wireless ultrasound probes are becoming more popular. While wireless probes are not commonly used in semi critical ultrasound procedures the innovative trophon Wireless Ultrasound Probe Holder ensures effective disinfection and maintains traceability to the standard expected of their wired counterparts.

Commitment to customer success, both now and in the future

Nanosonics is dedicated to ensuring success for our customers both now and in the future by offering a comprehensive accessories portfolio tailored to meet diverse clinical needs, and providing robust clinical applications and training support to ensure healthcare professionals are well-equipped to utilise our products effectively.

Complementing these efforts is an extensive service network that ensures timely and reliable support. This holistic approach underscores Nanosonics' commitment to fostering long-term success and trust among our customers.

A significant global opportunity with market fundamentals driving expansion strategy

Global installed base opportunity of 140,000 units

Nanosonics estimates that the installed base opportunity is 140,000 units.¹ Given the current installed base of over 34,000 units, it is estimated that the market for automated devices for the HLD of ultrasound probes is only 24% penetrated.

Consolidating standard of care position in current established markets

The USA, Canada, UK, Ireland, Australia and New Zealand have well established standards and guidelines for the HLD of ultrasound probes based on the Spaulding Classification. Nanosonics has established trophon as standard of care in these markets with excellent opportunity for ongoing growth through the adoption in all relevant hospital departments where ultrasound is used extensively as well as relevant private physician offices.

Targeted investments in developing countries

Standards and guidelines in other EMEA countries and Asia continue to evolve. Targeted investments by Nanosonics will continue to develop these markets and strengthen their market fundamentals for the automated HLD of ultrasound probes.

Global installed
base opportunity

140,000
units



Geographic expansion

Market fundamentals for the HLD of ultrasound probes as indicated by the *Spaulding Classification* vary at the country level.

Market Fundamentals

Established



U.S.



U.K.



Canada



Ireland



ANZ

Developing



Germany



Japan



RoEMEA



China

1. Nanosonics analysis last updated in 2021 based on updated ultrasound information commissioned by Nanosonics and an estimated trophon-to-ultrasound attachment rate.

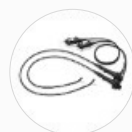
CORIS®

CORIS – transforming endoscope reprocessing

The CORIS System is a novel product destined to transform endoscope reprocessing with an automated solution for the cleaning of endoscopes



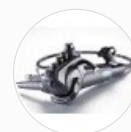
Large variety of endoscopes ...



Colonoscopy



Enteroscopy



Bronchoscopy



Gastroscopy



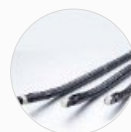
Gynaecology



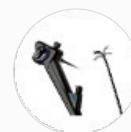
Urology



Duodenoscopy



Endoscopic
Ultrasound



E.N.T.

Endoscopes require cleaning and disinfection (reprocessing) after every use

Endoscope reprocessing is an established global practice

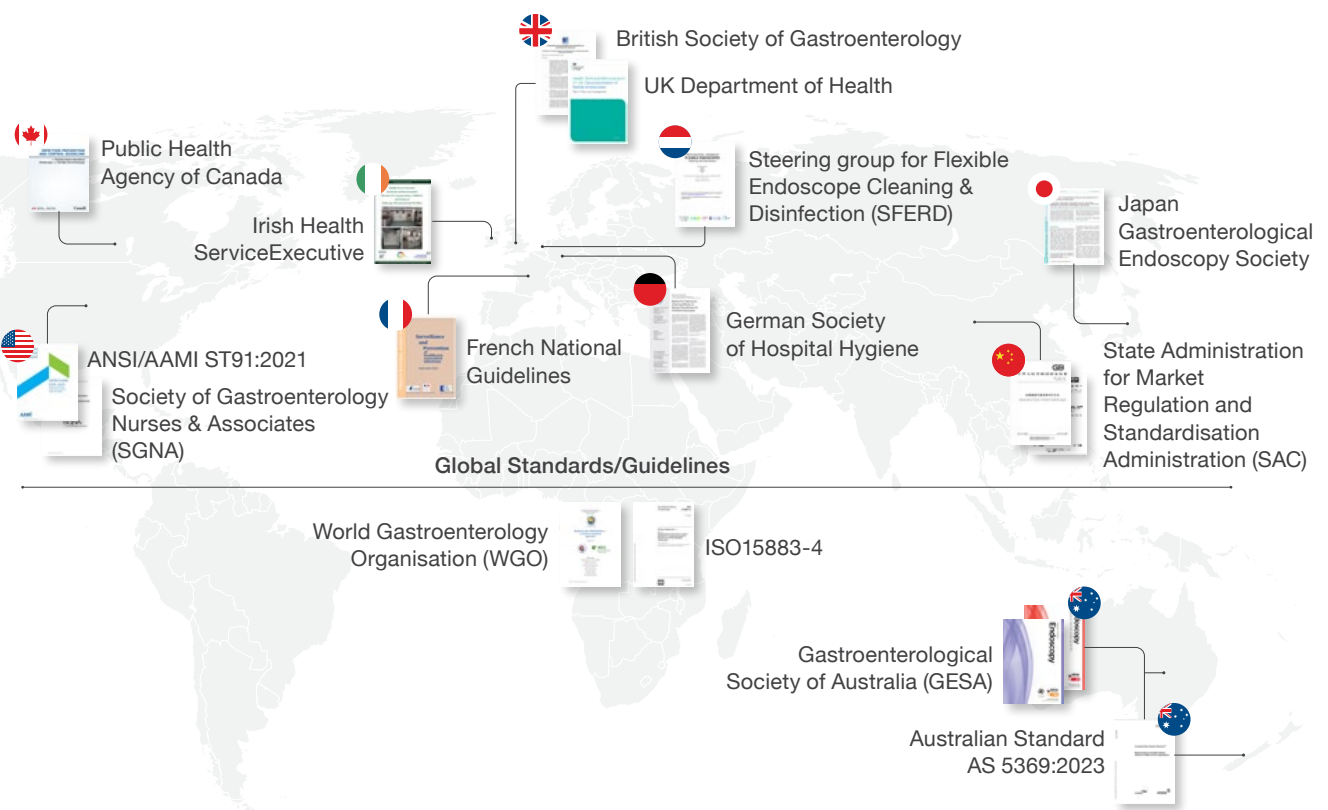
Contaminated endoscopes – a known potential source of infection

Endoscopes are essential medical tools that play a crucial role in various diagnostic and therapeutic procedures. A variety of endoscopes are employed in a wide range of examinations, including bowel, airway, and gastric procedures. In gastrointestinal endoscopy, they allow for detailed visualisation and intervention within the digestive tract, aiding in the detection and treatment of conditions like polyps, ulcers, and cancers. Bronchoscopes enable examination of the airways and lungs, essential for diagnosing respiratory conditions and performing interventions such as biopsy or foreign body removal. Gastrosopes are used to inspect the stomach and upper GI tract, facilitating the diagnosis and management of issues such as gastroesophageal reflux disease (GERD/GORD), bleeding, and tumours.

Reusable endoscopes are highly sophisticated medical instruments with complex internal architectures that allows them to successfully conduct the procedures they are designed for. They are difficult to clean due to their complex design, in particular the long, narrow tubes with multiple channels, valves, connectors and mechanically actuated components that are hard to access. These instruments are often contaminated with bodily fluids from clinical procedures and where effective cleaning cannot take place the internals can harbour pathogens which increases the risk of biofilm formation that makes bacteria harder to remove and disinfect.

The potential high risk for the transfer of pathogens due to poor endoscope reprocessing between patients has been long understood, with numerous studies and reports highlighting the critical importance of stringent cleaning protocols. This issue has been compounded by the rise of antibiotic-resistant bacteria, making infections not only more likely but also harder to treat.

... with strong fundamentals and standards for reprocessing



Strong standards exist for endoscope reprocessing in all key markets

Given the risk of cross contamination between patients, endoscope reprocessing is an established global practice supported by robust standards and guidelines in all major healthcare markets. Healthcare regulators, standards organisations and professional societies require that stringent protocols for the reprocessing of endoscopes are followed. These protocols include detailed steps for pre-cleaning, manual cleaning, HLD, sterilisation, and proper storage. Compliance with these standards is considered to be critical to patient safety, reducing the risk of healthcare-associated infections, and maintaining the effectiveness and longevity of the endoscopic equipment.

CORIS® continued

Manual cleaning is required for more than 60M endoscopic procedures per annum

Currently, more than 60 million endoscopic procedures are performed annually in key countries alone, with the market growing at a robust rate of 6% per year.¹ This growth is not confined to a single region but is evident across all key global markets, driven by advancements in technology, increasing patient awareness, and the rising prevalence of conditions that require endoscopic evaluation and treatment.

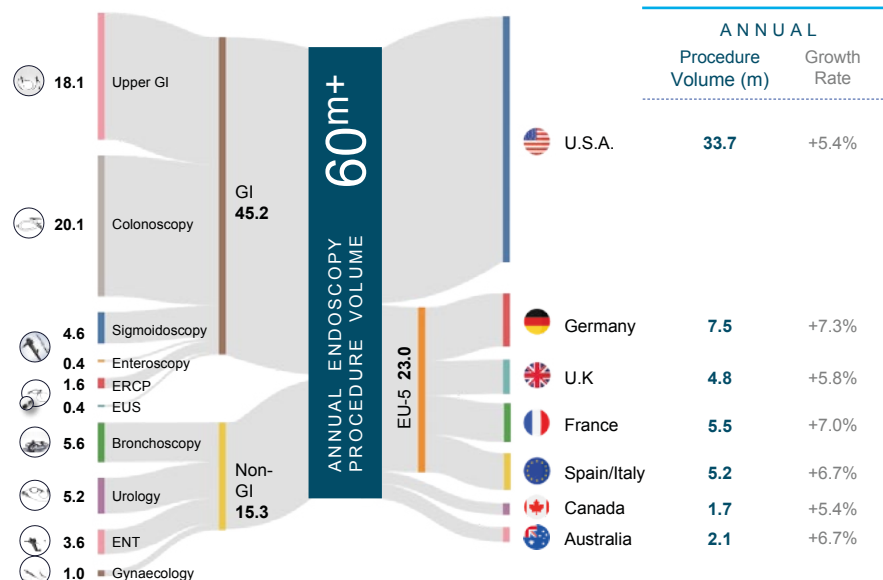
Manual cleaning is the currently accepted practice

Current reprocessing workflows in most countries rely on manual brushing and flushing to remove debris, residues and biofilms from all parts of the endoscope, both external and internal, so that disinfecting agents can be effective.

An established and growing market

>60m procedures growing at 6% annually USA is the largest market Gastrointestinal (GI) scopes are the largest category¹

MAJOR GROWTH DRIVERS
Aging population
Increasing incidence of colorectal cancer
Various national-level screening programs



References on file; available upon request.

Pressing problems exist with manual cleaning

Despite strong standards, evidence of endoscope reprocessing failures and infections continue to grow

Endoscopes have been associated with reprocessing failures and infection 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.^{3,4} 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 between 2014-2021 versus all other studied types, including duodenoscopes.⁵



"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."²



1. Frost & Sullivan, Endoscope Reprocessing Systems and Software Solutions Market Assessment (US, W. Europe, Australia), 2018.
2. 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).
3. Rutala, W. A. & Weber, D. J. Reprocessing semicritical items: Outbreaks and current issues. Am J Infect Control 47, A79–A89 (2019).
4. 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).
5. Data extracted from: Muscarella 2022. Contamination of Flexible Endoscopes and Associated Infections: A Comprehensive Review and Analysis of FDA Adverse Event Reports <https://www.lfmc-hcs.com/2022/01/contamination-of-flexible-endoscopes-and-associated-infections> (2022).

Manual cleaning is a root cause

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.

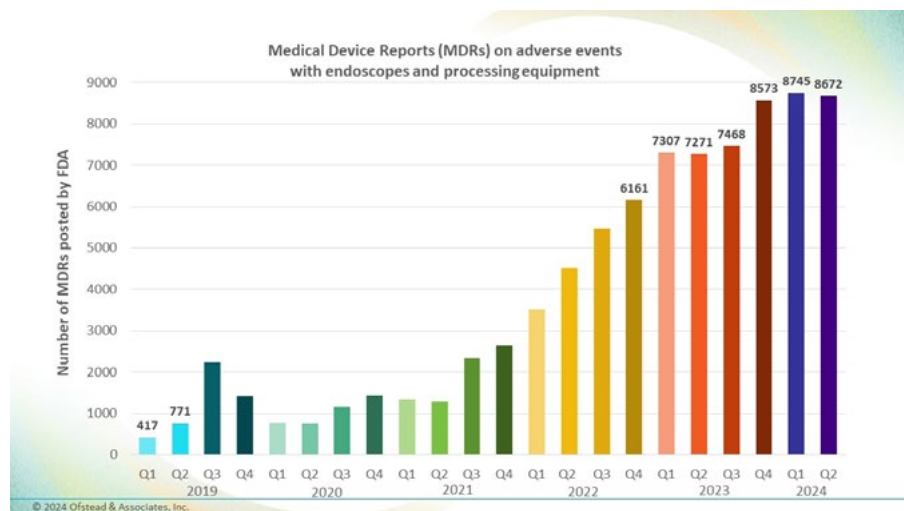
Manual cleaning is complex and problematic

Manual cleaning of endoscopes is a highly complex process – endoscope manufacturers' Instructions for Use (IFU) can contain around 55-200 reprocessing steps. Cleaning requires a large amount of technical skill and concentration which can be challenging, training and accreditation which is time consuming, and is rated as the most challenging aspect of endoscope reprocessing.² Endoscopy reprocessing staff experience discomfort and pain from leaning over sinks, scrubbing endoscopes, and standing for long hours.²

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).³ A prospective observational study from 2010 showed that less than half of endoscopes had all components brushed correctly.⁴

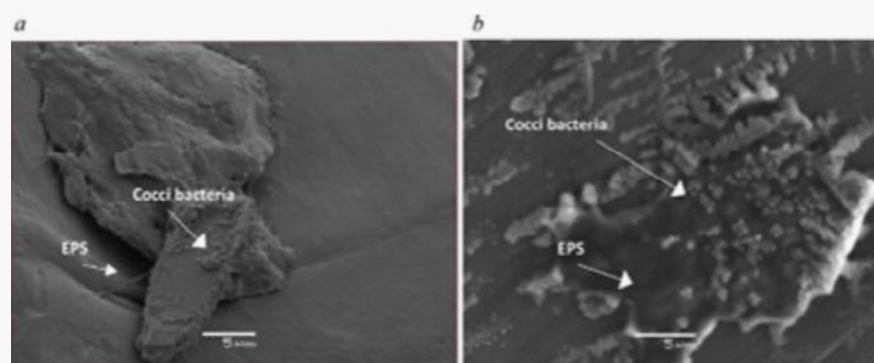
Critically, manual brushing cannot be performed in air/water and auxiliary channels of an endoscope as these channels are inaccessible to brushes, due to their narrow diameter (e.g. 1–2.5 mm in diameter). These channels currently rely on flushing with detergent to remove any accumulated bioburden.

Reprocessing failures and infections have been reported across all major endoscope types and they continue to grow¹



Current manual cleaning can enable the formation of biofilm, known source of infection risk

Biofilm is a thin but robust community of bacteria and other microorganisms that is a proven cause of patient infection.^{5,6} Biofilm can quickly form in the narrow channels of endoscopes and is highly resistant to removal attempts. In one study, biofilm formed in the air/water channels in just 60 days (30 days in some cases) and remained in all endoscopes despite repeated reprocessing.⁷ Some organisms for biofilms can be highly resistant to chemical disinfection with one study demonstrating that a clinical outbreak isolate could withstand 10 times higher concentration of high level disinfectant compared to a standard bacterial strain.⁸



Scanning electron micrographs confirming the presence of biofilm in a working channel from a colonoscope – Cocci bacteria and extracellular polymeric substances (EPS). Magnification 5000x⁹.

1. Analysis of FDA MAUDE database by Ofstead and Associates https://www.linkedin.com/posts/ofstead-%26-associates-inc%2E_during-q2-our-team-discovered-8672-endoscope-related-activity-7216858486154964992-dtHg.

2. Sivek, A.D. et al. Healthcare worker feedback on duodenoscope reprocessing workflow and ergonomics. *Am J Infect Control* 50, 1038-1048 (2022).

3. Madureira, R.A. da S & Oliveira, A.C. de. Endoscopic processing: what are the gaps in clinical practice? *Rev. Eletr. Enferm* 66550, 1-13 (2021).

4. Ofstead, C.L., Welzler, H.P., Snyder, A.K. & Horton, R.A. Endoscope reprocessing methods. *Gastroenterol Nurs* 33, 304-311 (2010).

5. Brunke, M. S. et al. Tolerance of biofilm of a carbapenem-resistant *Klebsiella pneumoniae* involved in a duodenoscopy-associated outbreak to the disinfectant used in reprocessing. *Antimicrob Resist Infect Control* 11, 81 (2022).

6. Kumarage, J. et al. Transmission of multi-drug resistant *Pseudomonas aeruginosa* between two flexible ureteroscopes and an outbreak of urinary tract infection: the fragility of endoscope decontamination. *J Hosp Infect* 102, 89-94 (2019).

7. Primo, M. G. B. et al. Biofilm accumulation in new flexible gastroscope channels in clinical use. *Infect Control Hosp Epidemiology* 43, 174-180 (2022).

8. Brunke, M. S. et al. Tolerance of biofilm of a carbapenem-resistant *Klebsiella pneumoniae* involved in a duodenoscopy-associated outbreak to the disinfectant used in reprocessing. *Antimicrob Resist Infect Control* 11, 81 (2022).

9. Roberts, C. G. The role of biofilms in reprocessing medical devices. *Am J Infect Control* 41, S77-S80 (2013).

CORIS® continued

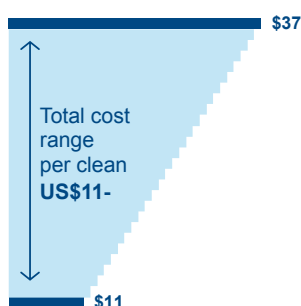
Today's cleaning process is estimated to cost between US\$11-\$37

Studies have shown that the cost of the full manual cleaning stage for a single flexible endoscope today can be between US\$11 and \$37.10.¹

Manual cleaning requires a high degree of management focus and staff training to maintain standards

Given that manual cleaning of endoscopes is a highly complex process, the success of this manual process is highly dependent on the precision and diligence of the healthcare workers performing it. Any lapse in following the established protocols can result in residual contamination, leading to potential infections.

Example: Total cost to manually clean a single GI endoscope¹



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

Therefore, comprehensive management monitoring and ongoing staff training is necessary to ensure that staff are well versed in the latest guidelines and techniques with a study identifying education as the major concern that needed to be addressed to increase patient safety.²

Reprocessing staff discomfort causes turnover and operational overheads

The physical and repetitive nature of manual cleaning can contribute to job dissatisfaction and physical strain among reprocessing staff, leading to higher turnover rates. This turnover can disrupt the continuity of practices and reduce overall expertise within the team, increasing the likelihood of errors.³ High turnover not only strains remaining staff but also necessitates management focus, continuous recruitment and exacerbates the already significant staff training efforts which can be costly and operationally disruptive for healthcare facilities.

Manual brushing causes potentially dangerous aerosols

During the cleaning process, healthcare workers engage in activities such as brushing and flushing the endoscope's channels and ports, which can generate aerosols containing blood, body fluids, and other potentially infectious materials. For this reason, the use of appropriate personal protective equipment (PPE) such as gloves, gowns, masks, and face shields to protect workers from splashes and aerosols is always required.² A study showed healthcare workers to be extensively exposed to splashes and droplets generated during manual endoscope cleaning, and that PPE did not completely prevent exposure to the cleaning fluids.⁴

In summary, manual cleaning has significant challenges that represent an opportunity for automation

Current situation	Change needed
Evidence of endoscope reprocessing failures and infections continue to grow with manual cleaning identified as a root cause despite the existence of strong standards - Current cleaning methods sometimes do not achieve cleaning endpoints, even when IFUs are followed. - Biofilm can accumulate in scopes despite current cleaning processes.	Improved approaches to the cleaning of endoscope are required - Robust cleaning methods that are superior to current methods and achieve soil removal. - Robust cleaning methods that remove biofilm in all channels irrespective of size.
Current cleaning is complex and error prone	Simplification of manual cleaning and increased automation
Current cleaning is physically difficult for staff and can result in workplace injuries	Reduction in repetitive actions, less hands-on time cleaning, reduction in splashing and aerosolisation of contaminants
Manual cleaning of endoscopes is operationally intensive for healthcare facilities	Automation to reduce staff turnover, reduce training burden, reduce management overhead, and to free up staff from manual processes for other duties

1. 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.
 2. Kenters, N. et al. Worldwide practices on flexible endoscope reprocessing. Antimicrobial Resistance & Infection Control, 153 (2018).
 3. Lukejohn W. et al. Multisociety guideline on reprocessing flexible GI endoscopes and accessories. American Society for Gastrointestinal Endoscopy (2020).
 4. Ofstead C. et al, Droplet dispersal in decontamination areas of instrument reprocessing suites. American Journal of Infection Control Volume 50, Issue 2 (2022).

CORIS – potential to establish a new gold standard in endoscope cleaning

Designed to deliver better cleaning outcomes

The CORIS System is designed to deliver a new standard of care for the cleaning of reusable endoscopes. It uses a unique CORIS QUANTUM micro-brushing cleaning agent delivering a friction-based cleaning action to all channels, including those that are too small to be brushed today effectively removing the toughest soils including build up biofilm.

CORIS surpasses cleaning benchmarks recognised by regulators, and cleaning efficacy has been shown to outperform manual cleaning.¹ For example, Cyclic Build-up Biofilm (CBB) is a very challenging biofilm that involves repeated contamination and fixing of bacteria with disinfectant² – the CORIS System 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 manufacturers' instructions for use.¹

Improving the reliability and repeatability of the cleaning process by automation

Manual cleaning is highly dependent on the precision and diligence of the healthcare workers, and the quality of their training. As an automated solution, the CORIS System controls the cleaning process to ensure repeatable and traceable results, removing the risk of human error to provide reliable cleaning outcomes every time.

Improving safety for reprocessing staff

Manual cleaning of endoscopes can lead to fatigue and injuries for healthcare workers; the automation in the CORIS System aims to minimise these issues by reducing the need for manual effort. Manual cleaning also generates splashes and aerosols; the CORIS System minimises these by guiding the contaminated cleaning and flushing agents safely to the waste via its Smart Drain technology.

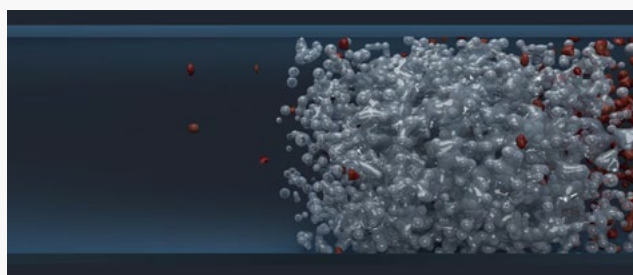
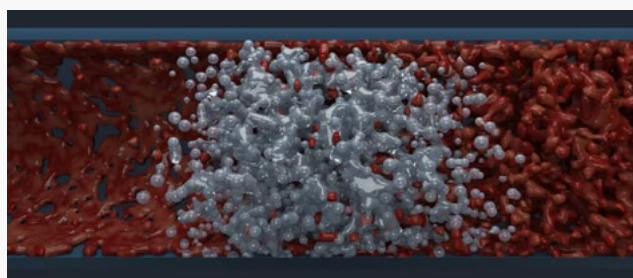
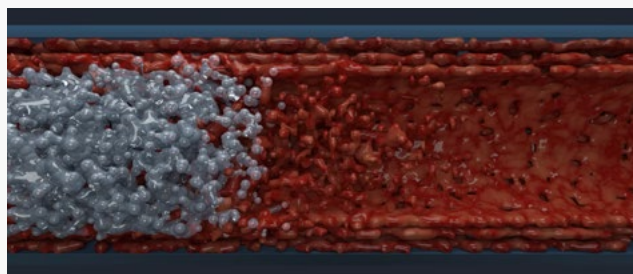
Increasing the efficiency of the facility

The CORIS System is designed to increase the efficiency of endoscope reprocessing in healthcare facilities by automating traceability tasks and recordkeeping, releasing staff from hands-on reprocessing activities to perform other duties, reducing staff turnover due to injury and fatigue, and reducing staff training and management overhead.

CORIS – currently under review by FDA through De Novo regulatory process.

The CORIS System represents a transformative innovation, particularly in the US market

In the United States, Nanosonics is pursuing the De Novo regulatory pathway that would establish the CORIS System as a new category for endoscope cleaning technology. Nanosonics filed the De Novo application for registration with the US FDA at the end of April 2024, and it is now proceeding through the FDA's De Novo review process. The CORIS System is designed to clean the full range of flexible endoscopes and upon De Novo clearance, expanded indications to cover the full range will be sought through subsequent 510k applications.



1. Moshkanbaryans L., Shah V., Tan L.Y., Jones M.P., Vickery K., Alfa M., Burdach J. Comparison of two endoscope channel cleaning approaches to remove cyclic build-up biofilm. J Hosp Infect. 2024 Jun 1;150:91-95. doi: 10.1016/j.jhin.2024.05.014.
2. Ribeiro, M. M., Graziano, K. U., Olson, N., França, R. & Alfa, M. J. The polytetrafluoroethylene (PTFE) channel model of cyclic-buildup biofilm and traditional biofilm: The impact of friction, and detergent on cleaning and subsequent high-level disinfection. Infect Control Hosp Epidemiology 41, 172-180 (2020).

The Board



Geoff Wilson

BCom, ICAA, CPA, US CPA,
FAICD, FCPA
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.

Tracey Batten

MBBS, MBA (Harvard),
FAICD, MHA, FRACMA
Non-Executive Director

Dr Batten joined the Board in September 2023. Dr Batten brings over 30 years' experience in the healthcare sector gained in non-executive and executive roles, and medical practitioner and clinical roles. Dr Batten was CEO of Imperial College Healthcare NHS Trust in the UK, St Vincent's Health Australia, Eastern Health and Dental Health Services Victoria. Dr Batten was also Non-Executive Director of Abano Healthcare Group Ltd (NZX Listed) and in various other healthcare related research institutes, charities, and industry and government bodies. Dr Batten is currently a Non-Executive Director of Medibank Private Limited (ASX: MPL), the EBOS Group Limited (NZX: EBO), and Chair of the Accident Compensation Corporation (a NZ Crown insurance scheme and investment fund).

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.

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 practised 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.



Steven Sargent

BBus, FAICD
Non-Executive Director
and Chairman

Mr Sargent joined the Nanosonics Board in July 2016 and was appointed Chairman in July 2022. Mr Sargent's extensive career included 22 years at General Electric, where he gained extensive multi-industry, international experience leading businesses in industries including healthcare, energy and financial services across the USA, Europe and Asia Pacific. Mr Sargent has been a Non-Executive Director of Origin Energy Limited, and is also a Non-Executive Director of Ramsay Healthcare Limited (since December 2021). Steven's unlisted board activities include Non-Executive Director of The Great Barrier Reef Foundation and Chairman of Origin Energy's philanthropic arm, The Origin Foundation. Mr Sargent was previously Chair of OFC Group Limited (2016 to 2022), and Non-Executive Director of Veda Group Limited. Mr Sargent holds a Bachelor of Business from Charles Sturt University and is a Fellow with the Australian Institute of Company Directors.

Larry Marshall

BSc (Hons), PhD, FAICD, FTSE, FAIP, Federation Fellow
Non-Executive Director

Dr Marshall joined the Board in October 2023. Dr Marshall is a technology innovator, physicist and business leader. Until July 2023, Dr Marshall was Chief Executive of CSIRO for eight and a half years, where he led the first growth in 30 years and doubled the value delivered to stakeholders. During his 26 years in the United States, Dr Marshall co-founded six successful companies in a range of markets including medical device which went public. Over the past 30 years, he has served as CEO/MD of six companies, and Chairman of four. He was MD, then co-Chairman of Arasor which he took public in 2006. In 2007, Dr Marshall became MD of Southern Cross Venture Partners, a Silicon Valley VC firm specialising in Australian innovation. He has been a director of 20 private sector boards in Australia and the United States, including boards of two companies that were subsequently publicly listed. Dr Marshall is currently a Non-Executive Director of Fortescue Metals Group Limited (ASX:FMG).

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.

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, Baymatob Operations Pty Ltd and Studiosity Pty Ltd.

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.



Jason Burriss

BCom, CA
Chief Financial Officer

Jason joined Nanosonics as CFO effective October 2023. Jason has more than 25 years of international experience across healthcare, construction, and financial service industries. Before joining Nanosonics he held senior finance roles with General Electric (GE) for 15 years, notably CFO for GE Healthcare Australia & New Zealand. More recently, he held several CFO roles with the Hilti group for over six years in Dubai and Singapore. Jason is a member of the Institute of Chartered Accountants Australia and New Zealand and attained executive education in Strategic Financial Analysis from Harvard Business School, USA.



Matthew Carbines

LLB, BCom
General Counsel and Company Secretary

Matt joined Nanosonics in August 2017 and was appointed to the Executive Team in October 2021, and as Company Secretary in May 2023. Matt is responsible for all legal and corporate governance matters across the Nanosonics Group. Matt is also the executive sponsor for sustainability activities. 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.



Ken Shaw

BSc Finance
Regional President for the United States,
Canada and Latin America

Ken is the President of the Americas at Nanosonics Ltd., a role he has held since 2017. He leads operations across the Americas, driving the adoption of innovative infection prevention solutions like the trophon technology for ultrasound probes. Before Nanosonics, Ken was the President of US & LATAM at Amoena and held executive positions at Essity, Medcom Inc, Energizer, and Pfizer. He has a BS in Finance and is a healthcare industry veteran for 25+ years.



Ronan Wright

BSc, Bus Management, BEng
Regional President for Europe & 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.

**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.

**Rod Lopez**

MBA, BEng (Hons), GAICD

Chief Operating Officer

Rod joined Nanosonics in April 2019. He is a seasoned international executive with over 25 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 and global customer liaison. Rod is a member of the NSW Innovation and Productivity Council, Fellow of the Higher Education Academy UK and an award-winning academic with continuing Adjunct Faculty appointments for over 15 years with Macquarie Business School (formerly MGSM), AGSM@UNSW and The University of Sydney Business School.

**Jonathan Burdach**

BBioMedSc (Hons), PhD

Chief Medical Affairs and Scientific Officer

Jon joined Nanosonics in 2012 leading the Clinical Affairs function. He has held various roles through his tenure at Nanosonics and joined the Executive Team as Chief Medical Affairs and Scientific Officer in March 2024. Jon is responsible for medical strategy, including clinical research, healthcare professional engagement, scientific communications, medical education and life sciences R&D. Prior to joining Nanosonics, Jon worked as a consultant to early-stage life sciences companies and has worked with the medical research space for over 15 years. He has served as a committee member on various standards development committees and has authored numerous scientific publications and regularly presents at international conferences.

**Jodi Sampson**

MBA (Exec), CPHR, MAICD

Chief People & Culture Officer

Jodi joined Nanosonics in April 2020 as the first Chief People & Culture Officer. In this role, she is responsible for developing and leading people strategies to support the transformation and growth of the business. Jodi has extensive executive experience in both ASX listed and global companies across a diverse range of industries. She has successfully developed people programs that strengthen leadership capability, improve employee engagement, and promote a diverse and inclusive culture.

Before joining Nanosonics, Jodi held significant leadership roles including Human Resources Director at Samsung and Head of Human Resources, APAC at Orange Business Services. In these roles, she was responsible for leading international human resources functions and building a culturally diverse global team.

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 2024, 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 (which forms part of this Directors' 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 2024 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 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 capital budgets in a financial year. This may impact the timing of customers' purchases of the Group's capital products, with a follow on impact on purchases of consumables and services in all markets.	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 taken into account. Further, the Group has an active program to manage its operating expenses in response to changed economic conditions and ensure the appropriate balance is maintained between investing for longer-term outcomes as well as profitability.
Research and development and commercialisation	Nanosonics currently has a platform technology, trophon technology, and recognises the need to expand its product portfolio by creating new technologies and 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. The Company has developed core technology for CORIS, a new product platform technology associated with the cleaning of endoscopes. The Company recently submitted a De Novo application to the FDA for regulatory approval in its key US market. Significant R&D investments have continued to be made in the CORIS product platform, with regulatory and commercialisation plans progressing. 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 and licensing opportunities. The Company also actively explores partnerships with third parties to explore their product offerings using Nanosonics' sales channels.

Risk	Description and potential consequences	Strategies used by Nanosonics to mitigate the risk
Competition	The potential for increased competition exposes Nanosonics to the risk of losing market share within the ultrasound reprocessing market. 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 trophon, cause trophon to lose market share, or render trophon units obsolete. Competition is also a potential risk for the Company's new product platform, CORIS.	To address this risk, the Company has invested in R&D and continues to evolve the features and benefits available in its technology platform through execution on its product roadmap and responding to market requirements and customer feedback. The Company also invests in its relationships with OEMs, including its probe compatibility program, as well as considering product development opportunities. The Company also engages with government and clinical industry and professional associations to further understand, and be at the forefront of, the development of clinical standards and guidelines to ensure that its technology is current and relevant. To mitigate this risk, the Company also strategically adapts its marketing campaigns, and proactively protects its market share (including by taking action as required where competitors have made false representations or misleading claims about the Company's products).
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 unit, for example, is covered by 26 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 to trophon2, AuditPro and the new CORIS platform. The Group has a dedicated IP function and an active program to continue to protect and enforce the IP in its technology, having regard to its commercial strategy as well as defensive purposes, in order to maintain the leadership in the ultrasound reprocessing space. With our patents and intellectual property, there is potential to expand the applications of our existing product platforms, such as the use of trophon technology to reprocess and disinfect other goods and/or devices, in addition to ultrasound probes. 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.

Directors' report continued

Risk	Description and potential consequences	Strategies used by Nanosonics to mitigate the risk
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 market actions 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 respond to any changes which apply to it. The business is also subject to annual regulatory audits from key regulators.
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 regulations, and engineering talent. There is a risk that it will be more difficult to hire talent. Competition for local talent may also impact talent retention.	The Company has programs in place for WHS, and the attraction, recruitment and retention of talent, including a Diversity, Equity and Inclusion program. The Company has global headquarters in Macquarie Park which is expected to support its growing Australian-based team to work more effectively for the foreseeable future. The Company's WHS, Diversity, Equity and Inclusion, and people policies have been updated to reinforce a flexible, diverse, equitable and inclusive workplace culture whilst balancing effective cross-functional collaboration to create an environment that provides support for 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, as well as leadership development. As part of the Diversity, Equity and Inclusion program, this includes, amongst other areas, the inclusion of a range of new leave options for staff.
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 and legal consequences. The Company also recognises the need to ensure operations can continue in the event of a disaster impacting its critical IT systems.	Nanosonics maintained its ISO27001 accreditation in 2024. The organisation has continued to strengthen its security posture via additional measures and controls, as well as capabilities in this area. The Company also has in place business continuity/disaster recovery plans.

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.

Dividends – Nanosonics Limited

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2024. No dividends were proposed, declared, or paid during the financial year (2023: 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

No matters or circumstances have arisen since 30 June 2024 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 in future financial years and the expected results of those operations have not been included in this Directors' Report because they would be likely to result in unreasonable prejudice to the Group.

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 of Non-Executive Directors, Steven Sargent (Chairman), David Fisher, Marie McDonald, Geoff Wilson, Lisa McIntyre, Larry Marshall, Tracey Batten and Executive Director, Michael Kavanagh (CEO & President and Managing Director).

Tracey Batten was appointed as a Non-Executive Director on 26 September 2023 and Larry Marshall was appointed as a Non-Executive Director on 3 October 2023.

During the year and to the date of this report, Matthew Carbines is the Company Secretary.

Information on the Directors, Company Secretary and the Executive Team is a part of the Directors' Report and can be found on pages 32 to 35 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 Innovation & Development. 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 2024, and numbers of meetings attended by each of the Directors were as follows:

	Full meetings of Directors		Audit and Risk		Nomination		Remuneration, People and Culture		Innovation & Development ¹	
	Held ²	Attended	Held ²	Attended	Held ²	Attended	Held ²	Attended	Held ²	Attended
David Fisher	11	11	4	3	2	2	5	5 ³	3	3
Geoff Wilson	11	11	4	4	2	2	5	5	3	3 ³
Larry Marshall	8	8	4	3 ³	2	1	5	2	3	2
Lisa McIntyre	11	11	4	4	2	2	5	5 ³	3	3
Marie McDonald	11	11	4	4	2	2	5	5	3	3 ³
Michael Kavanagh	11	11	4	4 ³	2	2 ³	5	5 ³	3	3
Steven Sargent	11	10	4	4	2	2	5	4	3	3
Tracey Batten	8	7	4	3	2	1	5	2 ³	3	2

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

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

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

Directors' report continued

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 2024, the Company issued a total of 682,088 (2023: 480,631) new ordinary shares in Nanosonics Limited of which 109,156 shares were issued under the Global Employee Share Plan at an average price of \$3.06 per share and 572,932 were issued for no consideration 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 2024, there were 302,997,848 (2023: 302,315,760) ordinary shares in Nanosonics Limited on issue. At the date of this report, there were 302,997,848 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.

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, 2,155,897 unquoted rights with nil exercise price (2023: 1,841,699 unquoted rights with nil exercise price and 1,140,725 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 6.3 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 6,527,958 unissued ordinary shares of Nanosonics Limited under option under the Nanosonics Omnibus Equity Plan. As at 30 June 2024, there were 6,541,296 (2023: 6,970,133) unissued ordinary shares of Nanosonics Limited under option, including performance rights and share appreciation rights. 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 2024	6,541,296
Performance rights and options lapsed	(13,338)
Total shares under option to the date of this report	6,527,958

The options entitle the holder to the underlying shares of the Company which are subject to the options 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 Directors. No payment has been made to indemnify the Directors during or since the financial year.

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.

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 and is compatible with the general standards of independence for auditors imposed by the Corporations Act for the following reasons:

- a. 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
- b. 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 partners of Ernst & Young

There are no officers of the Company who are former 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 67 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 Directors' Report, which includes the Financial and Operational Review (on pages 8 to 19), the Information on the Board and the Executive Team (on pages 32 to 35), the Remuneration Report (on pages 42 to 65), and the other sections of the Annual Report expressly referred to in this report is made on 27 August 2024 and signed in accordance with a resolution of Directors, pursuant to section 298(2) of the Corporations Act.



Geoff Wilson

Director

Sydney, 27 August 2024

Remuneration report

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

Dear Fellow Shareholder,

On behalf of the Board of Directors, I am pleased to present the remuneration report for the year ended 30 June 2024.

Nanosonics in FY24

The 2024 financial year saw the Company continue to focus on meeting customer needs and making strong progress against its aspiration to *Transform Medical Device Reprocessing for Improved Patient Safety and Better Healthcare Outcomes*.

The Company delivered ongoing growth in total trophon installed base globally, where the 34,790 trophon units now in operation mean that approximately 27 million patients annually are protected from the risk of cross contamination from ultrasound probes.

Whilst the business experienced challenging market conditions, particularly impacting the first half of FY24, the team remained focused, implementing several measures to adapt to these conditions. This included a number of organisational changes, in particular sales territory realignments in North America, as well as a number of additional customer offerings to bridge hospital capital budget constraints. These measures resulted in the team delivering strong growth in both capital and consumables/service revenue during the second half of FY24.

With product expansion continuing to be a cornerstone of the Company's strategic growth agenda, the Company continued to invest in R&D. Significantly, the Company has built depth in its capacity and capabilities, developing unique strengths in R&D, Bioscience and Clinical/Medical Affairs to drive the delivery of innovations in medical instrument reprocessing. The team reached a critical R&D milestone for CORIS in April 2024 with the FDA De Novo regulatory submission, while progressing a number of other important product roadmap milestones.

Our total number of employees remained comparable to last year with a global headcount of 466, and the Company continued to invest in building capability across all areas of the business. The organisational commitment to gender diversity continued, with the percentage of women represented both globally and at the senior leader level being at 44%, and the percentage of women on the Board increasing from 33.3% to 37.5%. While this is encouraging, we still have significant work to do to achieve more balanced gender representation in the Executive Team (currently 10% women).

We maintained our commitment to engagement by actively participating in significant initiatives. These included observing Privacy Awareness Week, offering internships, contributing to the National Youth Science Forum, supporting mental health first aid programs, and celebrating NAIDOC Week, among other activities.

Nanosonics' engagement score in 2024 of 71% approaches the industry median, with 94% of the employees believing in the overall purpose of Nanosonics and 93% of our employees understanding how their work contributes to the goals of the Company.

FY24 remuneration and outcomes

FY24 changes

As outlined in the 2023 Remuneration Report, changes were introduced for Company's Executive remuneration during FY24. The purpose of the changes was to ensure that the Company continued to attract, motivate, and retain high calibre executives, but under a remuneration framework which rewarded long-term value creation and aligned with shareholder experience. The changes included:

- The introduction of Stretch performance for non-financial STI measures (previously payouts were limited to target only at 100%). This increased 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);
- Modification of performance measures for LTI. The LTI framework now has two equally weighted financial metrics to reflect the importance of Company performance and shareholder experience:
 - a relative TSR against the ASX Small Ordinaries (101 to 300), excluding GICS Energy Sector, Financials Sector, Metals & Mining Industry and REITs; and
 - a profit growth metric of PBT CAGR for the core (trophon) business which included all revenue, and expenses related to the trophon business only; this ensured management was not disincentivised from investing in R&D for CORIS and other potential product developments. The Company's STI PBT metric included all R&D expenditure ensuring necessary discipline was in place for total R&D investment;
- The introduction of Performance Rights as the instrument for delivery of LTI awards.

Following a remuneration benchmarking review, conducted by Guerdon Associates, remuneration for FY24 for the Executive and Board was adjusted to be more closely aligned with the median of the market:

- CEO&P: an increase of 13.8% to base remuneration;
- Executive KMP: an average increase of 8% to base remuneration; and
- Non-Executive Directors: effective 1 January 2024, the Chair and Non-Executive Director fees increased by 20% and Committee Chair and membership fees increased by 25%. The last increase for Non-Executive Directors prior to this was in 2019.

FY24 outcomes

The financial performance of the business in FY24 resulted in FY24 STI Company financial metric outcomes of:

- Profit Before Tax (PBT) of \$13.0 million, which was a below threshold performance resulting in 0% achievement; and
- Total trophon units installed of 3,850, which was 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 18.7% of maximum (28.0% of target);
- The other Executive KMP STI outcomes ranged between 18.3% and 23.3% of maximum (27.5% and 35.0% of target); and
- The average for all Executive KMP (inclusive of the CEO&P) was 20.0% of maximum (29.9% of target).

The Board did exercise upward discretion in a small respect in relation to one of the non-financial metrics affecting some Executive KMP. The discretion related to the De Novo submission for CORIS being lodged in April 2024, rather than the previously announced target of March 2024 (refer Section 4.2 of the Remuneration Report).

There were no values rating modifiers applied to the Executive KMP in FY24.

2020 LTI Award

The 2020 LTI award was subject to two financial metrics – an external financial metric of Index Total Shareholder Return (iTSR) (33.3% weighting), and an internal financial metric of Underlying Return on Equity (uROE) (66.7% weighting). The iTSR metric was subject to a TSR gate which was not met, and this resulted in nil vesting of Share Appreciation Rights (SARs). However, the performance condition for Underlying Return on Equity (uROE) was above threshold and below target and this resulted in 45.8% vesting of the maximum opportunity (91.6% of target opportunity) of Performance Rights.

Looking forward to FY25

Having regard to the overall financial performance for the year, in particular the first half, and the impact on the shareholder experience, the Board felt it was appropriate that there would be no increase to base remuneration for the CEO&P in FY25. The increases for Other Executive KMP will be in line with the Company average of 3.5%.

Having implemented a number of changes to the Company's Executive remuneration framework in FY24, the Company does not anticipate any material changes to the STI or LTI construct in FY25. However, the Board intends that the 2024 LTI award will be the last award where CORIS R&D expenses are excluded from the profitability metric. For the LTI award to be granted following FY25, the Board plans to replace the core (trophon) business metric with a whole of Company performance metric.

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 &
Culture Committee
27 August 2024

Remuneration report continued

The Remuneration Report for the year ended 30 June 2024 (2024 Financial Year or FY24) 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 Management Personnel
2. Remuneration link with Company performance and strategy
3. Remuneration Framework
4. Company performance and remuneration outcomes
5. Non-Executive Director remuneration
6. Statutory tables and disclosures
7. Governance

1 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, directly or indirectly, including any Director (whether Executive or otherwise) of Nanosonics.

Name	Role	Appointed	Committee membership			
			Nomination	Audit & Risk	RPC	Innovation & Development
Non-Executive Director						
Steve Sargent	Chairman, Independent Director	6 Jul 2016				
Geoff Wilson	Independent Director	17 Jul 2019				
David Fisher	Independent Director	30 Jul 2001				
Marie McDonald	Independent Director	24 Oct 2016				
Lisa McIntyre	Independent Director	13 Dec 2019				
Tracey Batten	Independent Director	26 Sept 2023				
Larry Marshall	Independent Director	3 Oct 2023				
Executive						
Michael Kavanagh	Chief Executive Officer & President (CEO&P) and Managing Director	21 Oct 2013				
McGregor Grant ¹	Chief Financial Officer (CFO) and Company Secretary	28 Apr 2011				
Jason Burriss ²	Chief Financial Officer (CFO)	3 Oct 2023				
Steven Farrugia ³	Chief Technology Officer (CTO)	5 Sep 2016				
David Morris ⁴	Chief Strategy Officer (CSO) and Regional President, APAC	4 Feb 2019				
Rod Lopez ⁵	Chief Operating Officer (COO) and Regional President, APAC	4 Mar 2019				

 = member  = Chairman

1. McGregor Grant left the Company on 31 August 2023.

2. Jason Burriss was appointed to the CFO role on 3 October 2023.

3. Steven Farrugia left the Company on 30 April 2024.

4. David Morris ceased being a KMP on 28 September 2023 and left the Company on 22 December 2023.

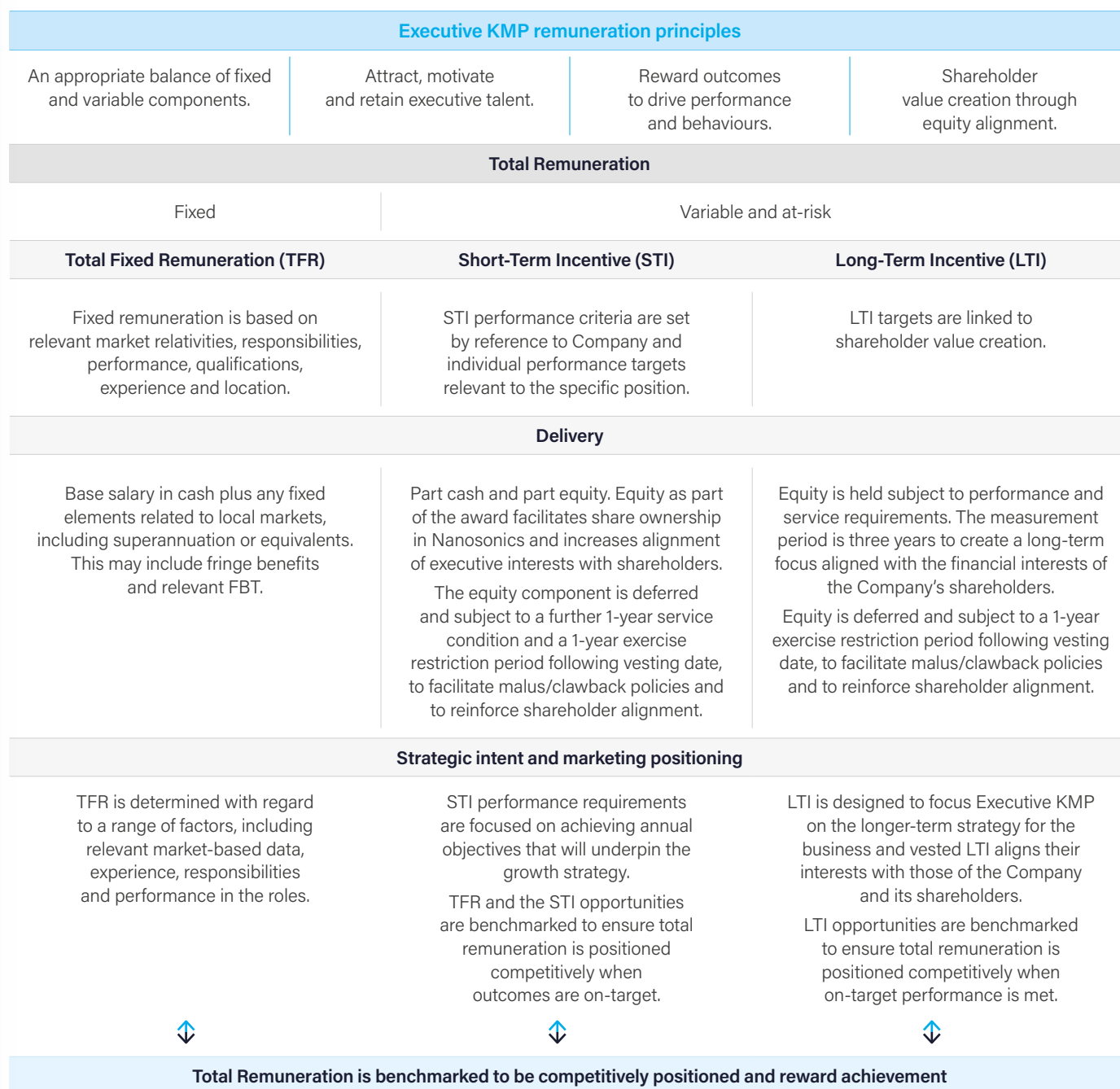
5. Rod Lopez's responsibilities increased to include the leadership of the APAC region on 6 October 2023.

2 Remuneration link with Company performance and strategy

2.1 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.



2.2 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 or positively adjusted if the behaviours and values exhibited either do not meet or exceed expectations.

Remuneration report continued

3 Remuneration Framework

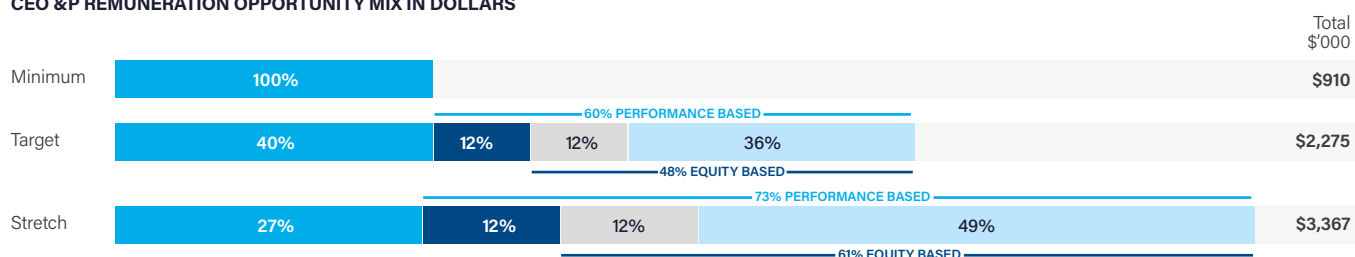
3.1 Remuneration mix

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).

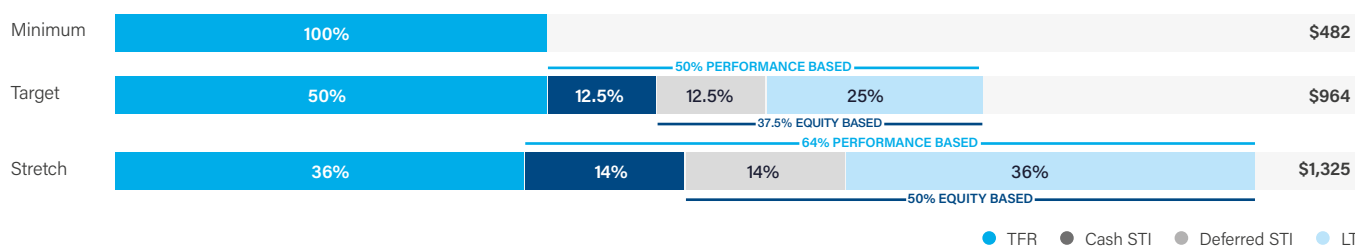
Executive remuneration is reviewed regularly by the Remuneration, People & Culture Committee (RPC) with reference to each executive's individual performance, experience and relevant comparable compensation in the market.

The following two figures show the CEO&P remuneration mix and the average remuneration mix for Other Executive KMP in FY24.

CEO & P REMUNERATION OPPORTUNITY MIX IN DOLLARS



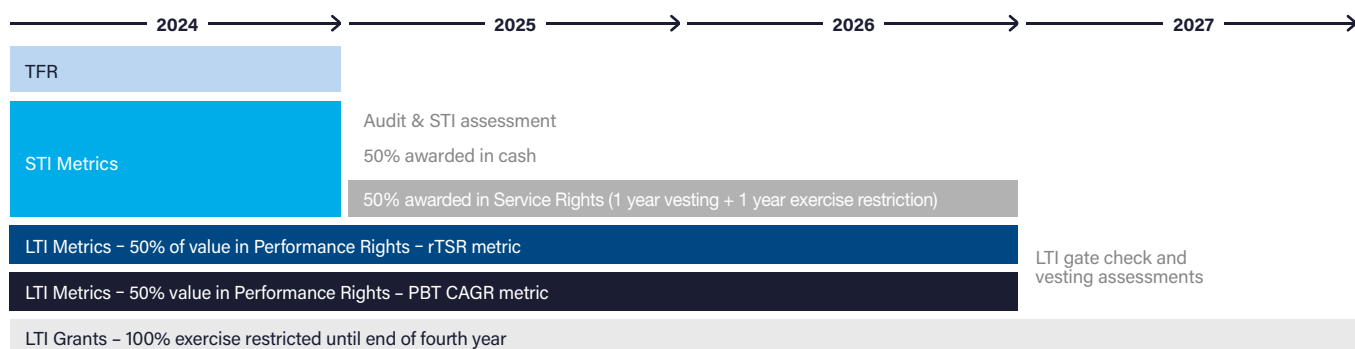
OTHER DISCLOSED EXECUTIVE KMP REMUNERATION OPPORTUNITY MIX IN DOLLARS (AVERAGE)¹



● TFR ● Cash STI ● Deferred STI ● LTI

1. Represents average of annualised remuneration to KMP, including current KMP and KMP who left during FY24 – McGregor Grant (CFO), David Morris (CSO/Regional President APAC), Steven Farrugia (CTO).

3.2 Remuneration cycle



3.3 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.

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 RPC (for the CEO&P) and recommendations by the CEO&P and RPC (for other Executive KMP).

3 Remuneration Framework *continued*

3.4 FY24 Short-Term Incentive (STI)

The following table describes the key features of the STI for FY24. The FY24 STI outcomes are dependent on meeting Company/Regional financial and other non-financial strategic metrics for the year.

Purpose	To motivate and reward executives for the achievement of Company financial metrics, regional financial metrics and/or strategic non-financial metrics approved by the Board at the beginning of the financial year.					
Key changes since FY23	As disclosed in the FY23 Remuneration report, for FY24: The opportunity to achieve non-financial metrics was increased to 150%, in line with the financial metrics. Payments for above target non-financial performance cannot exceed a fixed percentage of above target performance for the PBT metric.					
Opportunity	The STI opportunities for each of the Executive KMP are:		% of TFR			
			Target (100%)	Maximum (150%)		
	CEO&P		60%	90%		
	Executive KMP		50%	75%		
Performance measures	The Board-approved performance metrics for the CEO&P and Executive KMP for FY24 were as follows:					
	Company 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 CEO&P and 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.					
	Regional financial and non-financial strategic metrics: The FY24 regional and/or non-financial strategic metrics for each Executive are aligned with the business priorities. The weightings for each Executive KMP were as follows:					
		Metric weighting allocation				
		Company financial metrics		Regional financial and non-financial strategic metrics		
	Executive KMP	Profit before tax	Total trophon units sold	Regional financial	Non-financial	Total weighting
	CEO&P	30%	30%		40%	100%
	CFO	30%	30%		40%	100%
CTO	30%	30%		40%	100%	
CSO/Regional President APAC ¹	15%	15%	30%	40%	100%	
COO	30%	30%		40%	100%	
COO/Regional President APAC ²	15%	15%	30%	40%	100%	
	1. David Morris ceased being a KMP on 28 September 2023 and left the Company on 22 December 2023.					
	2. Rod Lopez's responsibilities increased to include the leadership of the APAC region on 6 October 2023.					
Vesting scale	The vesting scales for the financial and operational metrics are:					
		Vesting %				
	Achievement		Financial metrics	Non-financial metrics		
	Below threshold		Nil	Nil		
	Threshold		50%	50%		
	Target		100%	100%		
Stretch		150%	150% ¹			
	1. Payment for above target non-financial performance will not exceed a fixed percentage of above target performance of the PBT metric.					
	Vesting is on a pro rata linear basis between each level.					

Remuneration report continued

3 Remuneration Framework continued

3.4 FY24 Short-Term Incentive (STI) continued

Calculation of STI outcome	The STI outcome for the year is calculated as follows. Total STI award (\$) = TFR Amount paid in the financial year (\$) X STI opportunity % of TFR X STI outcome % Total of percentage achieved of each metric X Values rating modifier (0% to 150%) In FY24, the values modifier was extended to reward both positive contribution (a maximum multiplier of 150%), as well as the existing downwards modifier potential adjustment (from 100% to zero) for negative contribution based on the Company's Core Values of <i>Collaboration, Innovation, Discipline, Agility and Will to Win</i>. The Values rating modifier is applied to the total STI outcome % in determining the final award. Any modification is by exception and subject to careful assessment by the Board – refer to section 4.2.
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. An SR is a right to a share plus additional shares equal in value to the value of dividends paid on underlying share in the period from granting of the SR to date of exercise as if the dividend were reinvested on the ex-dividend date.
Allocation method	The number of SRs is calculated by dividing the award value by the Volume Weighted Average Price (VWAP) of Nanosonics' shares during the 20 business days following the date of the release of the FY24 financial results.
Dividends	Unvested SRs do not carry any dividend or voting rights prior to exercise.
Termination of employment	Continuous employment with the Company in current or equivalent position and not working out a notice period: - at the time of payment to be eligible for the cash component; and - from the date of grant to until the vesting date for the SRs to vest.
Malus and clawback	If the Board becomes aware of circumstances that have resulted in an unfair or inappropriate benefit including, but not limited to: - a material misstatement or omission in the consolidated financial statements of the Group; - the misconduct of any Executive KMP; or - any other circumstance that the Board determines in good faith to have resulted in an unfair or inappropriate benefit to the Executive KMP, the Board may, at its absolute discretion, reduce or cancel or clawback awards made under the Company's Employee Share Schemes.
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. In cases of death, serious injury or illness which prohibits continued employment, retirement, or retrenchment (good leaver circumstances), the Board in deciding whether to exercise discretion will consider the performance of the leaver; the length of service given by the leaver; the contribution provided by the leaver; the assistance by the leaver in finding and training a suitable replacement; and any other matter that the Board considers relevant in its absolute discretion. The discretion that the Board may determine is that some or all Equity securities may: - lapse; - are forfeited; - vest immediately or subject to Conditions; - are only exercisable for a specified period and will otherwise lapse; and/or - are no longer subject to, or are subject to different restrictions to, some of the restrictions including Conditions and Disposal Restrictions that previously applied as a consequence of becoming a leaver.

3 Remuneration Framework *continued*

3.5 2023 Long-Term Incentive (LTI)

Purpose	To incentivise Executives to focus on the drivers of shareholder value creation over the longer term and to align Executive interests with those of shareholders. For this purpose, an external metric (total shareholder return) and an internal one (Company core business profitability) are used.																				
Key changes since FY23	As disclosed in the FY23 Remuneration Report, for FY24: ▪ Performance Rights were introduced as the instrument for delivery of LTI awards; ▪ the LTI framework was modified to have two equally weighted financial metrics: – a relative TSR against the ASX Small Ordinaries (101 to 300), excluding GICS Energy Sector, Financials Sector, Metals & Mining Industry and REITs. This comparator group reflects a peer group that is more closely aligned with Nanosonics in terms of Company size and industries. The use of a relative, rather than absolute, measure was considered more appropriate as the Company's business had matured and its earnings stream had grown; and – a profit growth metric of PBT CAGR for the core (trophon) business which included all revenue, and expenses related to the trophon business only; this ensured management were not disincentivised from investing in R&D for CORIS and other potential product developments. The Company's STI PBT metric included all R&D expenditure ensuring necessary discipline was in place for total R&D investment. Looking beyond FY25, the Board intends that the 2024 LTI award will be the last award where CORIS R&D expenses are excluded from the profitability metric. For the LTI award to be granted following FY25, the Board plans to replace the core (trophon) business metric with a whole of Company performance metric.																				
2023 LTI details	At the 2023 Annual General Meeting held on 3 November 2023, shareholders approved the CEO&P's 2023 LTI grant. Details of the 2023 LTI grant, which apply to all Executive KMP, are set out below.																				
Opportunity	The LTI opportunities for each of the Executive KMP are: <table><thead><tr><th></th><th colspan="2">% of TFR</th></tr><tr><th></th><th>Target</th><th>Maximum</th></tr></thead><tbody><tr><td>CEO&P</td><td>90%</td><td>180%</td></tr><tr><td>CFO</td><td>50%</td><td>100%</td></tr><tr><td>CTO</td><td>50%</td><td>100%</td></tr><tr><td>COO/Regional President APAC</td><td>50%</td><td>100%</td></tr></tbody></table>				% of TFR			Target	Maximum	CEO&P	90%	180%	CFO	50%	100%	CTO	50%	100%	COO/Regional President APAC	50%	100%
	% of TFR																				
	Target	Maximum																			
CEO&P	90%	180%																			
CFO	50%	100%																			
CTO	50%	100%																			
COO/Regional President APAC	50%	100%																			
Payment vehicle	Equity grants to the Executive KMP were awarded as two equally weighted tranches in Performance Rights (PRs) with a nil exercise price. ▪ 50% of the LTI grant value will be based on Nanosonics' Relative Total Shareholder Return (rTSR) measure; and ▪ 50% of the LTI grant value will be based on a 3-year Profit Before Tax (PBT) compound annual growth (CAGR) of the Ultrasound Reprocessing Business (Core trophon Business) measure.																				
Allocation method	The number of PRs granted is calculated as follows: Number of PRs = TFR (\$) × LTI opportunity % at Stretch × Tranche weighting / Value of PR The value of each PR was determined by the Volume Weighted Average Price (VWAP) of Nanosonics shares for the 20 trading-days following the release of the Company's FY23 results (\$4.253).																				
Performance period	The Performance Period is the period over which Vesting Conditions are assessed. The Performance Periods are set out below: ▪ rTSR: from the announcement date of the Company's FY23 financial results to the announcement date of the Company's FY26 financial results based on the 20-day VWAP of the Company's shares following those dates. ▪ PBT CAGR Ultrasound Reprocessing Business (Core trophon Business): from 1 July 2023 to 30 June 2026.																				
Exercise restriction period	The Performance Rights will be subject to an Exercise Restriction Period of one year after the Vesting Date and they may only be exercised after that date.																				

Remuneration report continued

3 Remuneration Framework continued

3.5 2023 Long-Term Incentive (LTI) continued

Gate	A Gate is a condition that, if not fulfilled, will result in nil vesting of certain Performance Rights, irrespective of performance in relation to the Performance Conditions. The Gate for the 2023 LTIS Offer is as follows: - For rTSR: the Gate is that the Company's total shareholder return (TSR) must be positive for the Performance Period. - For PBT CAGR Ultrasound Reprocessing Business (Core trophon Business): no Gate applies.																						
Performance Conditions	The Performance Conditions for the 2023 LTI Offer are: - For the rTSR tranche, the Performance Condition is based on the TSR of the Company over the Performance Period (equivalent to the change in Share Price, plus dividends declared and reinvested), compared with the TSR of the constituents of the ASX 300 Small Ordinaries Index after excluding the GICS Energy, Financials, Metal & Mining Industry and REITs sectors companies. - Vesting will be determined on the following scale with the outcome based on a percentile ranking methodology (which was selected to align with market practice): <table> <tr> <th>Outcome</th><th>Vesting Scale</th></tr> <tr> <td>75th percentile</td><td>100% of Performance Rights</td></tr> <tr> <td>50th percentile</td><td>50% of Performance Rights</td></tr> <tr> <td><50th percentile</td><td>0%</td></tr> <tr> <td colspan="2">Straight-line basis in between</td></tr> </table> - For the PBT CAGR tranche, the Performance Condition is based on the 3-year PBT CAGR of the Ultrasound Reprocessing Business (Core trophon Business) over the Performance Period measured at the fixed foreign currency rate of 0.70 AUD:USD. This will be determined as Total Company PBT excluding revenue and costs associated with CORIS and any other non-ultrasound reprocessing business activities. The disclosed FY23 Core trophon Business PBT from which CAGR will be calculated is \$44.0m. - Vesting will be determined according to the following scale with the outcome based on a CAGR over 3-years methodology to reward growth in the profitability of the core (trophon) business: <table> <tr> <th>PBT CAGR achieved</th><th>Vesting Scale</th></tr> <tr> <td>≥17%</td><td>100% of Performance Rights</td></tr> <tr> <td>14%</td><td>50% of Performance Rights</td></tr> <tr> <td>11%</td><td>25% of Performance Rights</td></tr> <tr> <td><11%</td><td>0%</td></tr> <tr> <td colspan="2">Straight-line basis in between</td></tr> </table> These performance conditions were selected to ensure an appropriate balance between shareholder experience (rTSR) and Company performance (profit growth metric).	Outcome	Vesting Scale	75 th percentile	100% of Performance Rights	50 th percentile	50% of Performance Rights	<50 th percentile	0%	Straight-line basis in between		PBT CAGR achieved	Vesting Scale	≥17%	100% of Performance Rights	14%	50% of Performance Rights	11%	25% of Performance Rights	<11%	0%	Straight-line basis in between	
Outcome	Vesting Scale																						
75 th percentile	100% of Performance Rights																						
50 th percentile	50% of Performance Rights																						
<50 th percentile	0%																						
Straight-line basis in between																							
PBT CAGR achieved	Vesting Scale																						
≥17%	100% of Performance Rights																						
14%	50% of Performance Rights																						
11%	25% of Performance Rights																						
<11%	0%																						
Straight-line basis in between																							
Exercise and settlement	Upon exercise of vested Performance Rights, the Exercised Rights Value will be calculated with dividend equivalent entitlement calculated at the time of exercise from the vesting date. The dividend entitlement will be delivered as additional shares equal to dividends paid since vesting date, reinvested on ex-dividend date. It is intended that Exercised Rights will be settled in shares. However, the Board retains discretion to settle in cash or a combination of cash and shares based on the then Nanosonics share price. The Performance Rights will automatically lapse if the Performance Conditions are not met or where Performance Conditions are met, the vested Performance Rights will automatically lapse if they are not exercised by the Last Exercise Date.																						
Dividends	Unvested PRs do not carry any dividend or voting rights prior to exercise.																						

3 Remuneration Framework *continued*

3.5 2023 Long-Term Incentive (LTI) *continued*

Term	The Performance Rights will have an ending on the 10 th anniversary of the grant date (Last Exercise Date).
Service condition	Continuous employment with the Company in current or equivalent position from the date of grant until the Vesting Date and not working out a notice period as at the Vesting Date for the Performance Rights to vest.
Change in control event	Without limiting the extend to which the Board can exercise its discretion, the Board may determine that: - all unvested Equity Securities will vest or the number of Equity Securities eligible to vest will be pro-rated according to the portion of the Performance Period completed to the date of the Event; and - this pro-rated number of Equity Securities will vest according to the extent to which the applicable Conditions are satisfied to that date.
Malus and Clawback	If the Board becomes aware of circumstances that have resulted in an unfair or inappropriate benefit including, but not limited to: - a material misstatement or omission in the consolidated financial statements of the Group; - the misconduct of any Executive KMP; or - any other circumstance that the Board determines in good faith to have resulted in an unfair or inappropriate benefit to the Executive KMP, the Board may, at its absolute discretion, reduce or cancel or clawback awards made under the Company's Employee Share Schemes.
Board discretion	Under the Plan, the Board may exercise any power or discretion concerning the Plan in its absolute discretion and may waive any provision of the Plan or any vesting conditions or restrictions that apply to an incentive security issued under the Plan. In cases of death, serious injury or illness which prohibits continued employment, retirement, or retrenchment (good leaver circumstances), the Board in deciding whether to exercise discretion will consider the performance of the leaver; the length of service given by the leaver; the contribution provided by the leaver; the assistance by the leaver in finding and training a suitable replacement; and any other matter that the Board considers relevant in its absolute discretion. The discretion that the Board may determine is that some or all Equity securities may: - lapse; - are forfeited; - vest immediately or subject to Conditions; - are only exercisable for a specified period and will otherwise lapse; and/or - are no longer subject to, or are subject to different restrictions to, some of the restrictions including Conditions and Disposal Restrictions that previously applied as a consequence of becoming a leaver.

3.6 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 level of equity holding includes vested but unexercised securities and shares held directly, or indirectly as the beneficial owner, by the KMP. The minimum holding is expected to be met within five years of appointment or commencement.

Nanosonics encourages Executive KMP to acquire shares and supports the policy by awarding a substantial portion of variable remuneration in the form of equity and the design of the STI and LTI awards. Executive KMP are not expected to purchase shares to meet the minimum shareholding requirement.

All KMP who have been in their role for more than five years satisfy the minimum holding requirement, and other KMP who have been in their role for lesser periods are on track to comply.

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

Remuneration report continued

4 Company performance and remuneration outcomes

4.1 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 FY20 and FY24 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	FY24	FY23	FY22	FY21	FY20
Earnings and cash flows					
Revenue (\$'000)	170,012	165,993	120,320	103,079	100,054
Profit before tax (\$'000)	12,986	21,596	1,578	10,983	12,459
Net profit after tax (\$'000)	12,972	19,883	3,742	8,578	10,136
Pre-tax basic earnings per share (Pre-tax EPS) (cents)	4.29	7.16	0.52	3.65	4.15
Basic earnings per share (EPS) (cents)	4.29	6.60	1.24	2.85	3.37
Free cash flow (\$'000)	20,418	19,773	(207)	5,935	20,876
Returns					
Share price as at 30 June (\$)	2.99	4.74	3.36	5.87	6.82
Relative TSR percentile ranking	n/a	n/a	n/a	n/a	93.1/75.8 ³
Three-year rolling CAGR TSR %	(25.6) ¹	(11.4)	(15.8)	22.9	39.0
Remuneration outcomes					
Average Executive KMP STI outcome as a % of Target	29.9	77.9	41.4	94.9	64.8
Average Executive KMP STI outcome as a % of Maximum	20.0	60.1	31.8	71.7	43.2
% of maximum that vested during the year	30.5 ²	0	0	100	100

1. Three-year CAGR TSR is compared to the ASX 300 Industrials Total Return Index over the period 1 July 2021 to 30 June 2024.

2. Relates to 2020 LTI.

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

4 Company performance and remuneration outcomes *continued*

4.2 FY24 STI outcomes

Nanosonics' STI rewards the CEO&P and Other Executive KMP for the achievement against weighted metrics set by the Board at the beginning of the year and after consideration of the Company's risk management and compliance practices. The FY24 metrics are financial and strategic in nature and designed to strengthen alignment between management and shareholders. The payment of the STI is dependent on meeting financial and non-financial metrics.

The Company and regional financial metrics did not meet threshold and resulted in 0% outcome. The remaining non-financial strategic metrics demonstrated a solid result and the overall outcome of:

- **CEO&P:** 70.0% of target (28.0% weighted outcome).
- **Other Executive KMP:** 78.8% average of target (31.5% weighted average).

The overall STI outcome (financial and non-financial metrics) results were:

- **CEO&P:** 18.7% of maximum (28.0% of target).
- **Other Executive KMP:** 21.1% of average of maximum (31.6% average of target).

The below table summarises the metrics, targets, and outcomes of the Company's financial metrics for the CEO&P and Other Executive KMP.

Company financial metrics	Weighting %	Targets and outcomes				Outcome as a % of maximum opportunity
		Below threshold %	Threshold 50%	Target 100%	Stretch 150%	
Company financial metrics						
Profit Before Tax (PBT) (\$ million)						
<i>Measure of profitability and aligned with the Company's growth strategy</i>						
The overall outcome did not meet the PBT threshold set by the Board when approving the FY24 operating plan and resulted in an outcome of 0% for this metric. The result was driven by lower PBT in all regions.	30.0%					0.0%
Global total trophon units						
<i>Measure of strategic growth and includes both new installed base and upgrade units</i>						
The overall outcome did not meet the total trophon units sold threshold set by the Board when approving the FY24 operating plan and resulted in an outcome of 0% for this metric. The result was driven by lower sales volume due to continuing hospital budgetary constraints impacting sales cycle time on both new installed based and upgrade units in particular in the first half. Measures were implemented at the end of H1 resulting in substantial improvement over H2 with total units up 24% over H1 but not enough to reach the annual threshold.	30.0%					0.0%
Total company financial metrics	60.0%					0.0%

The Board did not exercise any positive or negative discretion in relation to the Company or Regional Financial metrics following its review of the overall circumstances.

Remuneration report continued

4 Company performance and remuneration outcomes continued

4.2 FY24 STI outcomes continued

The below table summarises the metrics, targets, and outcomes of the non-financial metrics for the CEO&P and Other Executive KMP. For commercial sensitivity reasons, some of the non-financial metrics are not described in detail.

CEO&P / KMP non-financial strategic metrics	Targets and outcomes				Outcome as a % of maximum opportunity
Metrics	Below threshold %	Threshold 50%	Target 100%	Stretch 150%	
Non-financial strategic metrics (KMP role dependent)					
Innovation & product expansion					
Submission of De Novo FDA regulatory submission of CORIS technology (CEO&P STI outcome).					66.6%
Significant progress on Ultrasound Reprocessing product road map, including assessment of alternative technologies and development of operating enhancements (CEO&P STI outcome).					46.6%
Manufacturing, supply chain and service business					
Global manufacturing strategy development, including for trophon and CORIS consumables. Cost and inventory reduction.					66.6%
Operational requirements in place for De Novo submission and CORIS manufacture (including parts, manufacturing, supply chain, QMS).					53.3%
North Amercia service business operationally able to meet significantly increased demand.					66.6%
Strategy					
Global commercialisation strategy for trophon (including anticipated enhancements) and also CORIS, including market education and commercialisation plans, developed and in place (CEO&P STI outcome).					53.3%
Long-Term growth strategy developed, including beyond current ultrasound and endoscopy projects (CEO&P STI outcome).					46.6%
Digital transformation					
New ERP implementation project on target (time and budget) for FY25.					66.6%
Financial discipline and capital allocation					
Detailed review of non R&D capital allocation with significant reduction in OPEX trajectory. Inventory reduction.					66.6%
Uplift in financial analysis and modelling, supporting sales teams (including new sales models) and strategic business decisions.					66.6%
People (applied to all Executive KMP)					
Improved Employee Engagement score aligning with the global industry median of Biotechnology and Medical Devices. (Threshold at -3 of industry median, Target at industry median and Stretch top 25 th percentile industry percentile). <i>The result was at Threshold with -3 percentage points from industry median.</i>					33.3%

4 Company performance and remuneration outcomes *continued*

4.2 FY24 STI outcomes *continued*

The Board did not exercise any discretion in relation to the non-financial metrics, except for one item. In 'Innovation & product expansion', the Board treated the De Novo FDA submission metric as being at target on the basis that the FDA submission was lodged in April 2024, although the Company had previously announced that it was targeting March 2024. The Board felt that this was justified given unforeseen delays in establishing and conducting a human factors study which the FDA stipulated be conducted in the US.

There were no Values rating modifications applied to the CEO&P or Executive KMP in FY24.

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

Executive KMP	Target STI (100%) \$	Maximum STI (150%) \$	Group financial metrics outcome %	Regional financial and non-financial metrics outcome %	STI achievement ¹		Cash	SRs	% Forfeited ²
					%	\$	\$	\$	%
Michael Kavanagh CEO&P	\$546,000	\$819,000	0.0%	28.0%	28.0%	\$152,880	\$76,440	\$76,440	72.0%
McGregor Grant ³ CFO	\$37,261	\$55,892	0.0%	0.0%	0.0%	–	–	–	100.0%
Steven Farrugia ⁴ CTO	\$195,007	\$292,511	0.0%	27.5%	27.5%	\$53,627	\$53,627	–	72.5%
David Morris ⁵ CSO/Regional President APAC	\$59,699	\$89,549	0.0%	34.1%	34.1%	\$20,379	\$20,379	–	65.9%
Rod Lopez ⁶ COO/Regional President APAC	\$241,155	\$361,732	0.0%	32.0%	32.0%	\$77,170	\$38,585	\$38,585	68.0%
Jason Burriss ⁷ CFO	\$205,580	\$308,370	0.0%	35.0%	35.0%	\$71,953	\$35,977	\$35,976	65.0%

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, left the Company on 31 August 2023 and his entitlement was forfeited in full. The average STI payout rate to Executive KMP excluded Mr Grant.

4. The CTO, Steven Farrugia, departed from his role at the Company on 30 April 2024. The STI award for FY24 will be delivered on a pro-rated basis wholly in cash with no deferral in SRs.

5. David Morris ceased being an Executive KMP on 28 September 2023. The STI award disclosed for FY24 is the amount paid on a pro-rated basis wholly in cash relating to services provided up to this date. The Board approved the FY24 STI outcome being calculated on 100% achievement of the regional and non-financial metrics only (i.e. excluding the Company financial metrics) and the payment being the cash component only and no SRs (i.e. 50% of the total payment). The average STI payout rate to Executive KMP excluded Mr Morris.

6. Rod Lopez's responsibilities increased to include the leadership of the APAC region on 6 October 2023. The STI outcome for FY24 has been calculated on a pro-rated basis of salary increase he received as part of his change in role at the Company.

7. Jason Burriss commenced as CFO on 3 October 2023. The STI outcome for FY24 has been calculated on a pro-rated basis from this date to the end of the financial year.

4.3 2020 LTI outcomes

The performance conditions associated with the 2020 LTI included two financial metrics, an external metric of Index Total Shareholder Return (iTSR) (33.3%) and an internal metric of Underlying Return on Equity (uROE) (66.67%).

The iTSR was subject to a gate of a positive TSR, which was not met, and this resulted in nil vesting of Share Appreciation Rights (SARs). The performance condition of the uROE was met at between threshold and target at 24.5% and this metric resulted in 45.8% vesting of Performance Rights (PRs) at the maximum opportunity for this metric. The overall outcome of the maximum LTI opportunity was 30.5%.

Remuneration report continued

4 Company performance and remuneration outcomes continued

4.4 LTI grants on foot and outcomes in FY24

The on-foot grants of prior year LTI for each Executive KMP during FY24 are summarised in the table below.

	2020 LTI		2021 LTI		2022 LTI		2023 LTI ⁴	
Equity Instruments	PRs	SARs	PRs	SARs	PRs	SARs	PRs	PRs
Percentage of Grant	66.67%	33.33%	66.67%	33.33%	66.67%	33.33%	50.00%	50.00%
Performance Measure	uROE	iTSR	uROE	iTSR	uROE	iTSR	PBT CAGR	rTSR
Gate Measure	N/A	Positive TSR	N/A	Positive TSR	N/A	Positive TSR	N/A	Positive TSR
Performance Period	1 Jul 20- 30 Jun 23	FY20-23 Release of Results	1 Jul 21- 30 Jun 24	FY21-24 Release of Results	1 Jul 22- 30 Jun 25	FY22-25 Release of Results	1 Jul 23- 30 Jun 26	FY23-26 Release of Results
Grant Date (CEO&P)	24-Nov-20	24-Nov-20	19-Nov-21	19-Nov-21	18-Nov-22	18-Nov-22	03-Nov-23	03-Nov-23
Grant Date (Other Executive KMP)	03-Mar-21	03-Mar-21	24-Jan-22	24-Jan-22	06-Dec-22	06-Dec-22	04-Dec-23	04-Dec-23
Vesting Date	30-Sep-23	30-Sep-23	30-Sep-24	30-Sep-24	30-Sep-25	30-Sep-25	30-Sep-26	30-Sep-26
Expiry Date	30-Sep-27	30-Sep-27	30-Sep-28	30-Sep-28	30-Sep-29	30-Sep-29	03-Nov-33	03-Nov-33
Exercise Price	Nil	\$6.0436	Nil	\$6.8250	Nil	\$4.143	Nil	Nil
Gate Passed	N/A	No ¹	N/A	TBD ³	N/A	N/A	N/A	N/A
Threshold (25% vesting)	22%	Index TSR%	23%	Index TSR%	25%	Index TSR%	11%	<50th percentile
Target (50% vesting)	25%	Index TSR% + 3.5% TSR CAGR	26%	Index TSR% + 3.5% TSR CAGR	28%	Index TSR% + 3.0% TSR CAGR	14%	50th percentile
Maximum (100% vesting)	28%	Index TSR% + 7.0% TSR CAGR	29%	Index TSR% + 7.0% TSR CAGR	31%	Index TSR% + 6.0% TSR CAGR	<17%	75th percentile
Performance Outcome	24.5%	0%	26.0% ²	TBD ³				
Vesting Outcome as a percentage of Target								
▪ By Tranche	91.6%	0% ¹	100% ²	TBD ³				
▪ Total		30.5%		TBD³				

1. For the 2020 LTI, the gate for the iTSR component of the award was not reached based on the Nanosonics share price and as a result the SARs issued did not vest.

2. For the 2021 LTI, the performance outcome of the UROE metric has been determined following the finalisation of the FY24 result, but will not vest until 30 September 2024.

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 (30 September 2024), based on the closing share price as at 30 June 2024 of \$2.99, it is unlikely that the gate will open for the iTSR component of the award (requiring a share price of \$6.83) and as a result the SARs issued will not vest.

4. Details of the maximum and minimum possible total value of each grant made before 2023 can be found in Nanosonics' previous remuneration reports, which are available on its website.

4 Company performance and remuneration outcomes *continued*

4.5 Executive KMP remuneration received during the period

The amounts in this table are different to the statutory disclosures in section 6.1, 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	2024	910,000	187,360	90,612	396,648	–	1,584,620	(118,658)
	2023	800,682	90,608	204,817	–	–	1,096,107	(81,176)
McGregor Grant CFO	2024	200,946	179,001	41,401	121,253	–	542,601	(36,117)
	2023	431,328	41,399	75,131	–	–	547,858	(29,774)
Steven Farrugia CTO	2024	399,385	80,178	51,075	113,493	–	644,131	(33,667)
	2023	427,617	51,071	69,581	–	–	548,269	(27,573)
David Morris CSO/Regional President APAC	2024	186,170	164,143	33,442	132,427	–	516,182	(39,578)
	2023	462,373	33,440	78,238	–	–	574,051	(31,006)
Rod Lopez COO/Regional President APAC	2024	482,309	86,537	49,588	113,493	–	731,927	(33,684)
	2023	417,047	49,584	70,919	–	–	537,550	(28,104)
Jason Burriss CFO	2024	411,160	–	–	–	–	411,160	–
	2023	–	–	–	–	–	–	–
Total	2024	2,589,970	697,219	266,118	877,314	–	4,430,621	(261,704)
	2023	2,539,047	266,102	498,686	–	–	3,303,835	(197,633)

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 FY24 was from the FY22 STI award. Value vested represents the STI allocation value (STI award value) for the relevant award year.

4. LTI PRs vested in FY24 includes the 2020 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) relating to the 2020 LTI award did not vest in FY24. 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. Monte Carlo 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 continued

5 Non-Executive Director remuneration

5.1 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 Directors. Fees were benchmarked by remuneration consultants, Guerdon Associates, during FY23, and were increased with effect from 1 January 2024 to be nearer to the median results from that review. The last previous increase was in 2019. Non-Executive Directors' fees are recommended by the Remuneration, People & 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 FY24 is within the aggregate amount of \$1,200,000 a year.

5.2 Remuneration elements

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

Remuneration element	Details		
Board fees for FY24 ¹	Position	Board	Committee ³
	Chair	\$247,500 ²	\$22,500
	Non-Executive Director	\$110,000	\$11,250
Superannuation	Superannuation contributions are included in the annual Board fees above and for FY24 were made at a rate of 11.0% of base fee (up to the Government's prescribed maximum contributions limit) 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. Following a review of Director fees, effective 1 January 2024 the Board Chair fees increased to \$270,000 from \$225,000; the Non-Executive Director fee increased to \$120,000 from \$100,000, the Committee Chair fee increased to \$25,000 from \$20,000 and the Committee fee increased to \$12,500 from \$10,000.

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

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

6 Statutory tables and disclosures

6.1 Executive KMP statutory remuneration for FY24

The following table outlines the statutory (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		Termination benefits					
					\$	% of TR	\$	% of TR	\$	% of TR	\$	% of TR	\$	% of TR				
Michael Kavanagh	2024	809,569	142,552	27,399	979,520	48%	76,440	4%	115,515	6%	889,772	43%	-	-	-	2,061,247		
CEO&P	2023	692,731	115,131	25,292	833,154	41%	187,360	9%	150,522	7%	873,549	43%	-	-	-	2,044,585		
McGregor Grant ⁶	2024	64,549	-	6,850	71,399	128%	-	0%	2,944	5%	(18,518)	(33%)	-	-	-	55,825		
CFO	2023	385,854	47,247	25,292	458,393	56%	179,001	22%	20,410	3%	158,094	19%	-	-	-	815,898		
Steven Farrugia ⁶	2024	330,435	(9,030)	24,569	345,974	46%	53,627	7%	40,342	5%	318,407	42%	-	-	-	758,350		
CTO	2023	359,838	56,134	25,292	441,264	53%	80,178	10%	60,867	7%	256,112	31%	-	-	-	838,421		
David Morris ⁷	2024	112,548	(11,800)	6,850	107,598	22%	64,571	13%	2,378	1%	(19,000)	(4%)	330,927	68%	-	486,474		
CSO/Regional President APAC	2023	402,574	44,261	25,292	472,127	53%	82,071	9%	55,368	6%	284,082	32%	-	-	-	893,648		
Rod Lopez	2024	407,767	51,155	27,399	486,321	58%	38,585	5%	54,827	7%	254,822	31%	-	-	-	834,555		
COO/Regional President APAC	2023	360,616	41,357	25,292	427,265	51%	86,537	10%	67,876	8%	251,271	30%	-	-	-	832,949		
Jason Burriss	2024	374,531	33,517	20,549	428,597	77%	35,977	6%	16,604	3%	78,929	14%	-	-	-	560,107		
CFO	2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total	2024	2,099,399	206,394	113,616	2,419,409	51%	269,200	6%	232,610	5%	1,504,412	32%	330,927	7%	-	4,756,558		
	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		

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. The amounts represent the Cash STI opportunity accrued related to the financial year based on the achievement of the Company's Group metrics and Individual metrics. 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.

4. The CFO, McGregor Grant, left the Company 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 FY24 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 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. On this date, the Nanosonics share price was \$4.19 and there is no incremental cost recognised in relation to the modification as the fair value of the replacement award is less than the original award.

5. The CTO, Steven Farrugia, was determined to be a good leaver for the purposes of the LTI and STI plans and the Board has approved his 2021 LTI and 2022 LTI grants will remain on-foot to be tested in the normal course at the end of the performance period. The vesting outcome will be pro rata for service to 30 April 2024. On this date, the Nanosonics share price was \$2.92 and there is no incremental cost recognised in relation to the modification as the fair value of the replacement award is less than the original award. It was also agreed by the Board that Steven Farrugia would retain the rights to the STI award for FY23 following his departure. No expense has been recognised in FY24 in relation to the 2023 LTI grant as it is forfeited on cessation of employment.

6. The CSO and Regional President APAC, David Morris, was paid an employment termination payment as part of his departure. No expense has been recognised in FY24 in relation to the 2022 LTI grant as it is forfeited on cessation of employment. The Board has determined Mr Morris is a good leaver for the purposes of the LTI and STI plans and has determined that his 2021 LTI grant will remain on-foot to be tested in the normal course at the end of the performance period. The vesting outcome will be pro rata to the last date in role as a KMP (28 September 2023). On this date, the Nanosonics share price was \$4.16 and there is no incremental cost recognised in relation to the modification as the fair value of the replacement award is less than the original award. It was also agreed by the Board that David Morris would retain his rights to the STI award for FY23 following his departure and this is modified to be delivered wholly in cash with no deferral in SRs. Included in the Cash STI is the STI award for FY24 on a pro-rata basis up to the date he was a KMP.

Remuneration report continued

6 Statutory tables and disclosures continued

6.2 Non-Executive Director remuneration for FY24

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

Name	Year	Board Fees \$	Committee Fees \$	Superannuation \$	Total \$
Steven Sargent	2024	222,973	–	24,527	247,500
	2023	203,620	–	21,380	225,000
Geoff Wilson	2024	105,046	32,264	6,441	143,751
	2023	97,625	29,287	3,088	130,000
David Fisher	2024	99,099	14,640	12,511	126,250
	2023	90,498	22,624	11,878	125,000
Marie McDonald	2024	99,099	30,406	14,245	143,750
	2023	90,498	27,149	12,353	130,000
Lisa McIntyre	2024	99,099	30,406	14,245	143,750
	2023	90,498	22,624	11,878	125,000
Tracey Batten ¹	2024	78,007	16,052	10,346	104,405
	2023	–	–	–	–
Larry Marshall	2024	76,346	15,720	10,127	102,193
	2023	–	–	–	–
Maurie Stang	2024	–	–	–	–
	2023	59,886	–	–	59,886
Total	2024	779,669	139,488	92,442	1,011,599
	2023	632,625	101,684	60,577	794,886

1. Director is also paid a travel allowance of \$16,559 as part of their remuneration.

6 Statutory tables and disclosures *continued*

6.3 KMP equity movements

Movements in equity interests held during the financial year by KMP, including their personally related parties, are set out below.

Name	Instrument	Number held open 2024	Granted FY24		Forfeited during FY24 ¹	Vested during FY24 ²	FY24 exercised (or shares received from exercising) ³	FY24 Purchased/ Other	FY24 Sold	Number held at close 2024
		Number	Date granted	Number	Number	Number	Number	Number	Number	Number
Michael Kavanagh	Unrestricted Shares	1,214,017	–	–	–	–	150,479	–	(90,000)	1,274,496
	Restricted Rights	–	–	–	–	87,502	–	–	–	87,502
	Vested Rights	50,910	–	–	–	–	–	–	–	50,910
	Unvested Rights	529,843	03-Nov-23	429,194	(77,667)	(87,502)	–	–	–	793,868
	Vested Options	627,309	–	–	–	–	(340,424)	–	–	286,885
	Unvested SARs	682,928	–	–	(208,884)	–	–	–	–	474,044
McGregor Grant	Unrestricted Shares	325,000	–	–	–	–	–	–	–	325,000
	Restricted Rights	–	–	–	–	20,063	–	–	–	20,063
	Vested Rights	11,009	–	–	–	9,993	–	–	–	21,002
	Unvested Rights	163,643	–	–	(93,148)	(30,056)	–	–	–	40,439
	Vested Options	–	–	–	–	–	–	–	–	–
	Unvested SARs	206,737	–	–	(148,828)	–	–	–	–	57,909
Steven Farrugia	Unrestricted Shares	12,353	–	–	–	–	–	–	–	12,353
	Restricted Rights	–	–	–	–	18,779	–	–	–	18,779
	Vested Rights	45,779	–	–	–	12,328	–	–	–	58,107
	Unvested Rights	162,049	04-Dec-23 03-Nov-23	109,554 18,853	(131,777)	(31,107)	–	–	–	127,572
	Vested Options	60,922	–	–	–	–	–	–	–	60,922
	Unvested SARs	201,162	–	–	(59,768)	–	–	–	–	141,394
David Morris	Unrestricted Shares	9,365	–	–	–	–	8,072	–	–	17,437
	Restricted Rights	–	–	–	–	21,912	–	–	–	21,912
	Vested Rights	78,211	–	–	–	8,072	(8,072)	–	–	78,211
	Unvested Rights	173,869	–	–	(100,332)	(29,984)	–	–	–	43,553
	Vested Options	81,116	–	–	–	–	–	–	–	81,116
	Unvested SARs	223,196	–	–	(160,828)	–	–	–	–	62,368
Rod Lopez	Unrestricted Shares	8,250	–	–	–	–	40,636	–	–	48,886
	Restricted Rights	–	–	–	–	30,748	–	–	–	30,748
	Vested Rights	51,028	–	–	–	–	(40,636)	–	–	10,392
	Unvested Rights	158,827	04-Dec-23 03-Nov-23	109,610 20,348	(22,223)	(30,748)	–	–	–	235,814
	Vested Options	68,835	–	–	–	–	–	–	–	68,835
	Unvested SARs	197,415	–	–	(59,768)	–	–	–	–	137,647
Jason Burriss	Unrestricted Shares	–	–	–	–	–	–	31,000	–	31,000
	Restricted Rights	–	–	–	–	–	–	–	–	–
	Vested Rights	–	–	–	–	–	–	–	–	–
	Unvested Rights	–	04-Dec-23	129,322	–	–	–	–	–	129,322
	Vested Options	–	–	–	–	–	–	–	–	–
	Unvested SARs	–	–	–	–	–	–	–	–	–
Totals		5,343,773	N/A	816,881	(1,063,223)	–	(189,945)	31,000	(90,000)	4,848,486

1. The rights forfeited for Michael Kavanagh and Rod Lopez relate to the 2020 LTI granted in FY21, which did not fully vest. The rights forfeited for Steven Farrugia represent the 2020 LTI granted in FY21, which did not fully vest and the 2023 LTI granted in FY24, which was forfeited following his departure. The rights forfeited for McGregor Grant and David Morris represent the 2022 LTI granted in FY23, which were forfeited following cessation of employment from their KMP roles.

2. For more information on the tranches of SRs, PRs and SARs that vested in FY24 please refer to section 4.5.

3. The value of shares exercised by Michael Kavanagh relate to the 2017 LTI options which had a notional exercise price of \$2.38. These were exercised at a market price of \$4.27. For Rod Lopez, the value of shares exercised relate to the 2019 Special Award and the 2018 LTI which had a notional exercise price of nil and were exercised at a market price of \$2.71.

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

Remuneration report continued

6 Statutory tables and disclosures continued

6.3 KMP equity movements continued

The following outlines changes in Non-Executive Director equity interests during FY24:

Name	Instrument	Held at open	FY24 purchased/ other	FY24 sold	Held at close	% of holding policy met ¹
		Number	Number	Number	Number	Percent
Steven Sargent	Shares	123,400	36,460	–	159,860	100%
Geoff Wilson	Shares	28,487	–	–	28,487	100%
David Fisher	Shares	303,940	–	(100,000)	203,940	100%
Marie McDonald	Shares	31,500	18,606	–	50,106	100%
Lisa McIntyre	Shares	21,351	–	–	21,351	100%
Tracey Batten ²	Shares	–	14,285	–	14,285	N/A
Larry Marshall ²	Shares	–	25,000	–	25,000	N/A
Totals		508,678	94,351	(100,000)	503,029	

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. Director is still within the five-year accumulation period.

The following outlines potential future costs of equity remuneration granted during FY24 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 FY24 \$	Maximum value to be expensed in future years \$
Michael Kavanagh	2023 LTI PRs (PBT CAGR)	03-Nov-23	30-Sep-26	03-Nov-33	–	3.91	819,000	752,949	116,082	260,392
	2023 LTI PRs (rTSR)	03-Nov-23	30-Sep-26	03-Nov-33	–	2.59	819,000	498,756	153,787	344,969
	FY23 STI SRs	03-Nov-23	31-Aug-24	31-Aug-28	–	3.91	187,362	172,251	72,510	13,267
Steven Farrugia ³	2023 LTI PRs (PBT CAGR)	04-Dec-23	30-Sep-26	04-Dec-33	–	4.17	232,967	228,420	–	–
	2023 LTI PRs (rTSR)	04-Dec-23	30-Sep-26	04-Dec-33	–	2.82	232,967	154,471	–	–
	FY23 STI SRs	03-Nov-23	31-Aug-24	31-Aug-28	–	3.91	80,182	73,715	36,710	–
Rod Lopez	2023 LTI PRs (PBT CAGR)	04-Dec-23	30-Sep-26	04-Dec-33	–	4.17	233,086	228,537	35,234	79,036
	2023 LTI PRs (rTSR)	04-Dec-23	30-Sep-26	04-Dec-33	–	2.82	233,086	154,550	47,655	106,895
	FY23 STI SRs	03-Nov-23	31-Aug-24	31-Aug-28	–	3.91	86,540	79,561	33,493	6,128
Jason Burriss ⁴	2023 LTI PRs (PBT CAGR)	04-Dec-23	30-Sep-26	04-Dec-33	–	4.17	275,003	269,636	33,551	101,269
	2023 LTI PRs (rTSR)	04-Dec-23	30-Sep-26	04-Dec-33	–	2.82	275,003	182,344	45,378	136,966
	FY23 STI SRs	n/a	n/a	n/a	–	–	–	–	–	–
Totals							3,474,196	2,795,190	574,400	1,048,922

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 FY23 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 CTO, Steven Farrugia, left the Company on 30 April 2024. The 2023 LTI award has been forfeited on the last day of employment and therefore there is no value expensed in FY24.

4. The CFO, Jason Burriss, joined the Company on 3 October 2023 and was not entitled to receive the 2023 STI award.

6 Statutory tables and disclosures *continued*

6.4 KMP service agreements

6.4.1 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	Ongoing 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 pro-rated 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.
Jason Burriss		Three months' written notice	Three months' written notice	Subject to Board determinations, 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.
Rod Lopez		Three months' written notice	Three months' written notice	Subject to Board determinations, 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.

6.4.2 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.

6.5 Loans and transactions with KMP

6.5.1 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 2024 (2023: Nil).

6.5.2 Other transactions with KMP

In the period to 30 June 2024, there were no other transactions between the Group and a member of KMP, a close member of the family of that member of KMP, or an entity over which the member of KMP or that family member has direct or indirect control, joint control or significant influence, other than as described in this Remuneration Report.

Remuneration report continued

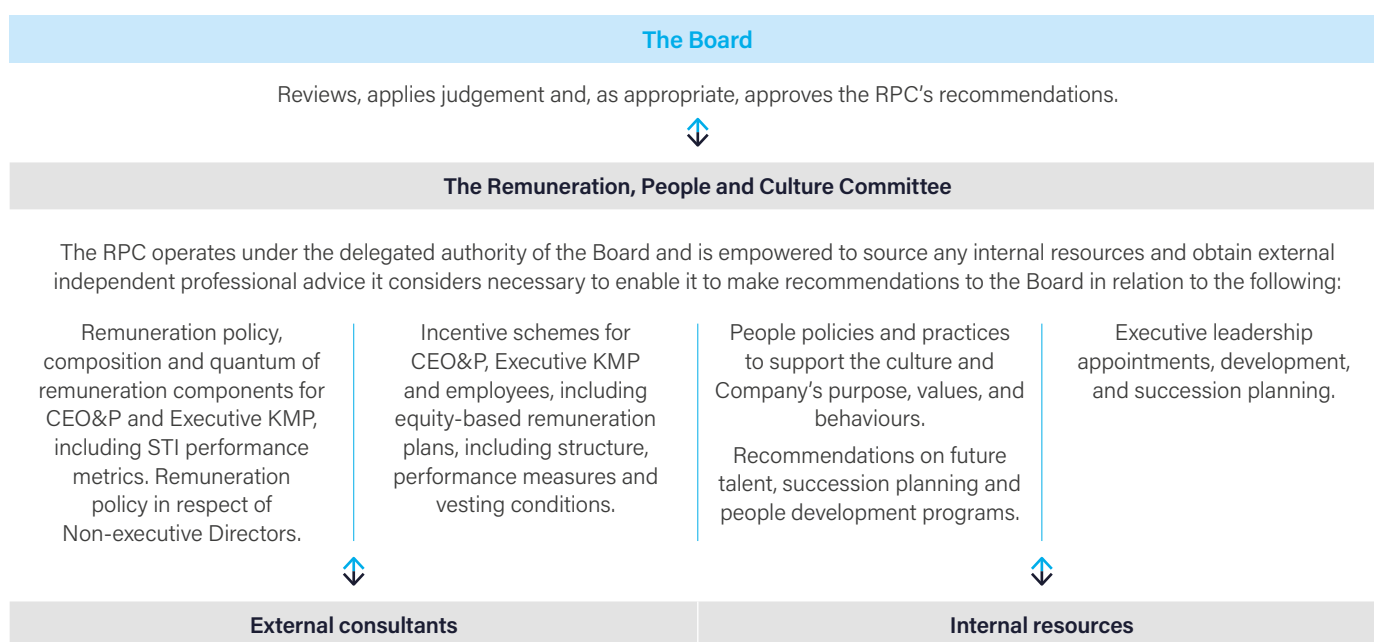
7 Governance

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

7.1 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.

7 Governance *continued*

7.2 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 FY24 reporting period.

7.3 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. As disclosed in Section 4.2 the Board exercised its discretion to make a small positive adjustment to one aspect of the STI non-financial metrics.

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. The Board did not exercise any downward or upward discretion in relation to the above malus, clawback or risk management and compliance matters.

7.4 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. The 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 2024

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Auditor's independence declaration



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2024, 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
27 August 2024

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Revenue	2.2	170,012	165,993
Cost of sales		(37,575)	(35,348)
Gross profit		132,437	130,645
Selling and general expenses		(65,789)	(60,949)
Administration expenses		(27,002)	(23,705)
Research and development expenses		(32,809)	(29,514)
Other income	2.3	1,739	1,317
Other gains - net	2.5	541	1,841
Results from operating activities		9,117	19,635
Finance income - interest		4,974	2,732
Finance expense		(1,105)	(771)
Net finance income		3,869	1,961
Operating income before income tax		12,986	21,596
Income tax expense	3.1	(14)	(1,713)
Net income after income tax expense attributable to owners of the parent entity		12,972	19,883
Other comprehensive income			
Items that may be classified subsequently to profit or loss:			
Exchange difference on foreign currency translation		88	(2,037)
Effective portion of changes in fair value of cash flow hedges		1,423	1,487
Income tax on items of other comprehensive income/(loss)		(427)	(446)
Total other comprehensive income/(loss)		1,084	(996)
Total comprehensive income for the year attributable to owners of the parent entity		14,056	18,887

Earnings per share information:

		Cents	Cents
Basic earnings per share	2.6(a)	4.29	6.60
Diluted earnings per share	2.6(b)	4.20	6.49

The notes on pages 72 to 103 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	6.1	129,552	112,159
Trade and other receivables	6.2	39,669	38,754
Inventories	7.1	20,238	25,490
Derivative financial instruments	6.3	1,016	360
Costs to obtain customer contracts	5.1	651	385
Income tax receivable		950	–
Prepayments and other current assets		6,369	4,473
Total current assets		198,445	181,621
Non-current assets			
Property, plant and equipment	7.2	12,376	12,733
Right-of-use assets	7.3	8,369	9,762
Intangible assets	7.4	11	96
Net deferred tax assets	3.2	16,672	14,452
Derivative financial instruments	6.3	936	841
Costs to obtain customer contracts	5.1	451	345
Other assets		79	70
Total non-current assets		38,894	38,299
Total assets		237,339	219,920
Liabilities			
Current liabilities			
Trade and other payables	6.4	9,974	10,842
Lease liabilities	6.5	3,141	2,882
Income taxes payable		–	2,126
Contract liabilities	5.1	11,274	7,796
Employee benefits liabilities	4.2	7,027	7,654
Provisions	7.5	682	629
Derivative financial instruments	6.3	127	1,103
Total current liabilities		32,225	33,032
Non-current liabilities			
Lease liabilities	6.5	6,162	7,838
Contract liabilities	5.1	16,028	13,913
Employee benefits liabilities	4.2	554	473
Provisions	7.5	95	30
Derivative financial instruments	6.3	73	774
Total non-current liabilities		22,912	23,028
Total liabilities		55,137	56,060
Net assets		182,202	163,860
Equity			
Contributed equity	9.1(a)	114,545	114,211
Reserves		29,943	24,907
Retained earnings		37,714	24,742
Total equity		182,202	163,860

The notes on pages 72 to 103 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2024

	Contributed Equity \$'000	Reserves				Retained earnings \$'000	Total equity \$'000
		Share- based payments \$'000	Foreign currency translation \$'000	Hedging \$'000	Total reserves \$'000		
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
Transactions 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
At 1 July 2023	114,211	29,096	(4,179)	(10)	24,907	24,742	163,860
Profit for the period	-	-	-	-	-	12,972	12,972
Other comprehensive income/(loss)	-	-	88	1,423	1,511	-	1,511
Income tax on item of other comprehensive income	-	-	-	(427)	(427)	-	(427)
Total comprehensive income	-	-	88	996	1,084	12,972	14,056
Transactions with owners in their capacity as owners							
Issue of shares under employee share plans	334	-	-	-	-	-	334
Share-based payments	-	4,256	-	-	4,256	-	4,256
Income tax on share-based payments	-	(304)	-	-	(304)	-	(304)
At 30 June 2024	114,545	33,048	(4,091)	986	29,943	37,714	182,202

The notes on pages 72 to 103 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST/VAT)		181,465	169,983
Receipts of government grant		1,808	–
Payments to suppliers and employees (inclusive of GST/VAT)		(158,220)	(147,154)
Interest received		3,844	1,748
Income taxes paid		(6,115)	(1,263)
Net cash provided by operating activities	6.1(ii)	22,782	23,314
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,517)	(3,566)
Purchase of intangible assets		–	(5)
Proceeds from disposal of property, plant and equipment		153	30
Net cash used in investing activities		(2,364)	(3,541)
Cash flows from financing activities			
Repayment of lease liabilities		(2,979)	(2,723)
Interest paid on lease liabilities		(361)	(345)
Proceeds from issue of shares under employee share plans		334	356
Net cash used in financing activities		(3,006)	(2,712)
Net increase in cash and cash equivalents		17,412	17,061
Cash and cash equivalents at the beginning of the financial year		112,159	94,512
Effect of exchange rate changes on cash and cash equivalents		(19)	586
Cash and cash equivalents at the end of the financial year	6.1(i)	129,552	112,159

The notes on pages 72 to 103 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2024

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 2024, 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 36 to 41.

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 and Interpretations issued by the Australian Accounting Standards Board (AASB) 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 27 August 2024.

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 intercompany 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.

1 General accounting policies *continued*

1.2 Basis of preparation *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

For the year ended 30 June 2024

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 is 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 over time 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 Performance for the year continued

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.

Major customers

The Group has a number of customers to which it provides products and services. The most significant customer, Henry Schein (worldwide), accounts for approximately 5.3% of external revenue (2023: 3.3%). The next most significant customer, GE Healthcare (worldwide) accounts for approximately 4.4% of external revenue (2023: 4.1%).

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 2024				
Capital revenue before hedging	45,556	1,778	1,509	48,843
Foreign exchange loss on hedged sales	(594)	–	–	(594)
Total capital revenue	44,962	1,778	1,509	48,249
Consumables and spare parts	89,487	6,625	2,625	98,737
Service	20,677	1,671	1,633	23,981
Foreign exchange loss on hedged sales	(955)	–	–	(955)
Total consumables and service revenue	109,209	8,296	4,258	121,763
Total revenue	154,171	10,074	5,767	170,012
At a point in time	147,640	9,595	5,241	162,476
Over time	6,531	479	526	7,536
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

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

2 Performance for the year continued

2.2 Segment information continued

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:

	2024 \$'000	2023 \$'000
North America	4,662	3,621
Europe and Middle East	1,842	1,245
Asia Pacific	14,782	18,140
Total	21,286	23,006

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 committed to create 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 rebates as well as the costs of fitting out new manufacturing and 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 AASB 120 Accounting for Government Grant.

Other income for the period of \$1,739,000 (2023: \$1,317,000) includes \$1,502,000 (2023: \$1,306,000) in relation to the Program. As at 30 June 2024, the Company also recognised accrued grant income of \$903,000 (2023: \$2,537,000) (included in Trade and other receivables) and a corresponding contract liability of \$2,310,000 (2023: \$3,189,000) (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:

	2024 \$'000	2023 \$'000
Depreciation, amortisation and impairment included in:		
Cost of sales	810	627
Selling and general expenses	3,882	3,756
Administration expenses	545	570
Research and development expenses	2,395	2,183
Total depreciation, amortisation and impairment	7,632	7,136

2.5 Other gains - 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.

	2024 \$'000	2023 \$'000
Realised gain/(loss) on derivative financial instruments	627	(334)
Unrealised gain/(loss) on derivative financial instruments	344	(661)
Net foreign exchange (loss)/gain	(443)	2,881
Net gain on foreign currency	528	1,886
Gain/(loss) on disposal of fixed assets	13	(45)
Total other gains - net	541	1,841

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.

	2024 Cents	2023 Cents
(a) Basic earnings per share		
Basic earnings attributable to the ordinary equity holders of the Company	4.29	6.60
(b) Diluted earnings per share		
Diluted earnings attributable to the ordinary equity holders of the Company	4.20	6.49

	2024 \$'000	2023 \$'000
(c) Net earnings used in calculating earnings per share		
Net earnings after income tax expense attributable to shareholders	12,972	19,883

	2024 Number of shares	2023 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	302,729,784	301,464,318
Adjustments for calculation of diluted earnings per share:		
Performance rights and options	6,151,853	4,828,389
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	308,881,637	306,292,707

2.7 Dividends

No dividends were proposed, declared or paid during the financial year and to the date of this report (2023: Nil).

	2024 \$'000	2023 \$'000
Franking credit balance		
Franking credits available for future financial periods (30% tax rate)	201	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

For the year ended 30 June 2024

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 taxes 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:

	2024 \$'000	2023 \$'000
Consolidated statement of profit or loss		
Current tax		
Current tax expense for the period	(12,198)	(18,131)
Adjustment relating to prior periods	(177)	211
Deferred tax		
Recognition and utilisation of deferred tax assets (net), including origination and reversal of temporary differences	11,951	16,085
Adjustment relating to prior periods	410	122
Income tax expense reported in the statement of profit or loss	(14)	(1,713)
Tax relating to item in other comprehensive income/(loss)		
Deferred tax expense recognised directly in other comprehensive income/(loss) relating to derivative financial instruments	(427)	(446)
Current tax benefit on share-based payments	8	120
Deferred tax (expense)/benefit on share-based payments	(312)	346
Tax (expense)/benefit charged to equity	(304)	466

Following an assessment of the operations of the Group for the year ended 30 June 2024, 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 2024 amounted to \$16,672,000 (2023: \$14,452,000) as detailed in Note 3.2.

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

	2024 \$'000	2023 \$'000
Operating profit before tax from continuing operations	12,986	21,596
The prima facie income tax expense applicable to the operating profit is calculated at the Australian tax rate of 30% (2023: 30%)	(3,896)	(6,479)
Increase in income tax expense due to:		
Non-deductible expenses	(951)	(449)
Research & development	(7,380)	(8,443)
Other deductible expenses	(18)	379
Decrease in income tax expense due to:		
Recognition of research & development tax credits in Australia	11,257	12,912
Net recognition of deferred tax assets in foreign jurisdictions	934	(79)
Effect of foreign exchange and tax rate in foreign jurisdictions	273	113
Adjustment relating to prior period	(233)	333
Income tax expense	(14)	(1,713)

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 2024, the net deferred tax asset recognised in the statement of financial position comprises:

	2024 \$'000	2023 \$'000
Deferred tax assets		
Contract liabilities	6,098	4,234
Future intercompany deductible expenses	4,209	5,494
Lease liabilities	2,161	2,878
Employee benefits liabilities	1,853	2,010
Share-based payments	1,427	2,157
R&D tax credits	1,329	–
Patent costs	941	763
Unrealised foreign exchange losses	637	–
Capital allowances in foreign subsidiary tax jurisdiction	546	615
Tax losses in foreign subsidiary tax jurisdictions	521	515
Accrued interest and other income	422	196
Provisions for warranties and make good	306	317
Accrued expenses	294	239
Inventory provision	266	828
Derivative financial instruments	–	202
Others	199	159
Total deferred tax assets	21,209	20,607
Deferred tax liabilities		
Property, plant and equipment	(1,934)	(3,088)
Right-of-use asset	(1,888)	(2,596)
Derivative financial instruments	(526)	–
Unrealised foreign exchange gains	–	(300)
Others	(189)	(171)
Total deferred tax liabilities	(4,537)	(6,155)
Net deferred tax assets	16,672	14,452

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

For the year ended 30 June 2024

3 Income taxes continued

3.2 Deferred taxes continued

As at 30 June 2024, the Group has unrecognised deferred tax assets in relation to its subsidiaries as follows:

	2024 \$'000	2023 \$'000
Estimated unrecognised tax losses carried forward:		
Unrecognised tax losses brought forward at the beginning of the period	9,034	8,073
Adjustment in respect of unrecognised tax losses carried forward relating to prior periods	(462)	1
Tax losses for the period related to non-Australia entities	2,376	2,338
Recognition of deferred tax assets on foreign tax losses	(2,074)	(1,378)
Estimated unrecognised tax losses carried forward at the end of the period	8,874	9,034
Potential tax benefit at 32.48% effective tax rate (2023: 28.42%)	2,882	2,568

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:

	2024 \$'000	2023 \$'000
Salaries and wages	57,934	51,295
Superannuation, pension and social security contribution	7,191	6,235
Bonuses and commissions	6,317	8,258
Leave benefits	5,007	4,597
Share-based payments	4,256	5,460
Payroll tax	2,536	2,169
Insurance premiums	2,476	2,188
Workers compensation costs	453	345
Termination benefits	1,355	632
Other employee benefits and staffing costs	4,005	3,519
Total staffing costs	91,530	84,698
The above staffing costs are included in the consolidated statement of profit or loss and other comprehensive income as follows:		
Cost of sales	7,095	7,478
Selling and general expenses	48,444	44,298
Administration expenses	16,396	15,204
Research & development expenses	19,595	17,718
Total staffing costs	91,530	84,698

4 Employee benefits *continued*

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.

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 and annual leave are classified as short-term employee benefits, while long service leave is long-term employee benefits.

Employee benefits liabilities as at the reporting date:

	2024			2023		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Provision for annual leave	3,602	–	3,602	3,448	–	3,448
Provision for long service leave	628	554	1,182	627	473	1,100
Provision for bonuses	2,797	–	2,797	3,579	–	3,579
Total employee benefits liabilities	7,027	554	7,581	7,654	473	8,127

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

4 Employee benefits continued

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.

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 109,156 (2023: 89,939) shares were acquired by GESP participants at an average price of \$3.06 (2023: 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 require 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	
	2024		2023		2024		2023		2024	2023
	Numbers of options and rights	WAEP \$	Numbers of options and rights	WAEP \$	Numbers of options and rights	WAEP \$	Numbers of options and rights	WAEP \$	Number of options and rights	Number of options and rights
Unexpired as at 1 July	6,970,133	2.77	5,792,730	3.54	–	–	–	–	6,970,133	5,792,730
Granted during the year	2,155,897	–	2,982,424	1.94	–	–	–	–	2,155,897	2,982,424
Exercised during the year	(564,694)	0.82	(739,522)	2.31	–	–	–	–	(564,694)	(739,522)
Forfeited during the year	(2,020,040)	3.35	(1,065,499)	4.94	–	–	–	–	(2,020,040)	(1,065,499)
Unexpired as at 30 June	6,541,296	1.85	6,970,133	2.77	–	–	–	–	6,541,296	6,970,133
Exercisable at 30 June	863,733	–	1,273,681	–	–	–	–	–	863,733	1,273,681

There were 564,694 (2023: 739,522) rights and options exercised in 2024. The weighted average share price based on the dates of the exercise was \$3.90 (2023: \$4.82). No rights or options expired during the periods covered by the above table.

4 Employee benefits *continued*

4.3 Share-based payments *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:									
2023 STI – CEO	Service	–	3-Nov-23	31-Aug-24	31-Aug-28	3.91	46.53%	4.39%	3.91
2023 STI	Service	–	3-Nov-23	31-Aug-24	31-Aug-28	3.91	36.43%-46.53%	4.39%-4.65%	3.91
2023 LTI PR – CEO	rTSR	–	3-Nov-23	30-Sep-26	3-Nov-33	3.91	43.85%	4.51%	2.59
2023 LTI PR	rTSR	–	4-Dec-23	30-Sep-26	4-Dec-33	4.17	43.93%-44.57%	4.20%-4.23%	2.80 - 2.82
2023 LTI PR – CEO	PBT CAGR	–	3-Nov-23	30-Sep-26	3-Nov-33	3.91	43.85%	4.51%	3.91
2023 LTI PR	PBT CAGR	–	4-Dec-23	30-Sep-26	4-Dec-33	4.17	43.93%-44.57%	4.20%-4.23%	4.17
Granted in prior periods and outstanding at report date:									
2022 STI – CEO	Service	–	18-Nov-22	31-Aug-24	31-Aug-27	4.58	48.20%	3.12%	4.58
2022 STI	Service	–	18-Oct-22	31-Aug-24	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
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 CAGR1 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 Special Award	Service	–	5-Nov-19	9-Sep-22	9-Sep-25	6.87	41.57%-41.65%	0.78%	6.87

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

4 Employee benefits continued

4.3 Share-based payments 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 (\$)
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

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 \$4,256,000 (2023: \$5,460,000).

During the financial year there were no shares directly granted under the NOEP (2023: 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:

	2024 Number of shares	2023 Number of shares
Employee shares on issue at 1 July	916,677	816,040
Issued on exercise of performance rights and options during the year	564,694	739,522
Shares purchased by the trustee under the deferred salary sacrifice share scheme	25,622	24,660
Withdrawn during the year	(272,070)	(663,545)
Employee shares on issue at 30 June	1,234,923	916,677

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:

	2024			2023		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Trade and other receivables	39,669	–	39,669	38,754	–	38,754
Cost to obtain customer contracts	651	451	1,102	385	345	730
Total assets related to contracts with customers	40,320	451	40,771	39,139	345	39,484

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:

	2024			2023		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Government grant liability	938	1,372	2,310	878	2,311	3,189
Contract liabilities	10,336	14,656	24,992	6,918	11,602	18,520
Total liabilities related to contracts with customers and government grants	11,274	16,028	27,302	7,796	13,913	21,709

The revenue recognised that was included in the contract liability balance at the beginning of the period was \$7,796,000 (2023: \$6,383,000).

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

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:

	2024 \$'000	2023 \$'000
Cash at bank and on hand	21,350	21,835
Deposit on call	2,102	1,842
Short-term deposits	106,100	88,482
Total cash and cash equivalents	129,552	112,159

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.

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

	2024 \$'000	2023 \$'000
Operating profit before income tax	12,986	21,596
<i>Adjustment for:</i>		
Depreciation, amortisation and impairment	7,632	7,136
Share-based payments expense	4,256	5,460
Lease costs	361	345
(Gain)/Loss on disposal of fixed assets	(13)	45
Income tax paid	(6,115)	(1,263)
Unrealised loss/(gain) on foreign exchange movements	437	(4,230)
Changes in assets and liabilities		
Increase in trade and other receivables	(958)	(8,998)
Increase in cost to obtain customer	(372)	-
Decrease/(increase) in inventories	3,133	(3,012)
Increase in financial instruments	(1,004)	(668)
(Increase)/decrease in other current assets	(2,815)	97
Decrease/(increase) in other non-current assets	9	(1)
(Decrease)/increase in trade and other payables	(864)	1,256
Increase in deferred revenue	6,520	4,378
(Decrease)/increase in employee benefit liabilities	(529)	1,098
Increase in provisions	118	75
Net cash provided by operating activities	22,782	23,314

iii) Credit standby arrangements unused

	2024 \$'000	2023 \$'000
<i>Facility limits:</i>		
Borrowing facilities	620	620
Guarantee facility	3,053	3,053
<i>Facility remaining available:</i>		
Borrowing facilities	620	620
Guarantee facility	760	760

6 Financial assets and financial liabilities *continued*

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 (2023: 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.

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)).

	2024 \$'000	2023 \$'000
Trade receivables net of expected credit loss	33,261	32,173
Government grant	2,573	4,345
GST/VAT receivable	1,109	618
Interest and other receivables	2,726	1,618
Total trade and other receivables	39,669	38,754

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, or 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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

6 Financial assets and financial liabilities continued

6.3 Derivative financial instruments continued

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 0.6355 and 0.67998.

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.

Derivative financial assets and liabilities are as follows:

	2024			2023		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Financial assets						
Derivative financial instruments	1,016	936	1,952	360	841	1,201
Financial liabilities						
Derivative financial instruments	127	73	200	1,103	774	1,877

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.

	2024			2023		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Trade payables	3,470	–	3,470	3,760	–	3,760
Other payables	6,504	–	6,504	7,082	–	7,082
Total trade and other payables	9,974	–	9,974	10,842	–	10,842

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 3.72% (2023: 3.03%).

During the period, the Company has entered into a new lease to secure additional warehouse space next to its existing office and warehouse site located in Indianapolis, United States. The five-year lease for the additional warehouse space commenced on 1 December 2023 and will end on 30 November 2028. With the signing of this new lease, it is expected that the option(s) to extend the lease of the existing office and warehouse site will also be taken up which will result in the existing site being leased until 30 June 2027.

6 Financial assets and financial liabilities *continued*

6.5 Lease liabilities *continued*

	2024			2023		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Lease liabilities	3,141	6,162	9,303	2,882	7,838	10,720
				2024 \$'000	2023 \$'000	
Balance as at 1 July				10,720	11,712	
Additions				1,567	1,731	
Interest expense				361	345	
Payments				(3,340)	(3,068)	
Disposal				(5)	–	
Balance as at 30 June				9,303	10,720	
<i>The following are the amounts recognised in profit or loss:</i>						
Depreciation expense of right-of-use assets				3,024	2,857	
Interest expense on lease liabilities				361	345	
<i>Expense relating to short-term leases included in:</i>						
Selling and general				325	418	
Administration				140	151	
Research and development				–	15	
Total amount recognised in profit or loss				3,850	3,786	

The Group had total cash outflows for leases of \$3,806,000 in 2024 (\$3,652,000 in 2023). The Group also had non-cash additions to lease liabilities of \$1,567,000 in 2023 (\$1,731,000 in 2023). 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:

	2024 \$'000	2023 \$'000
Within one year	1,389	1,085
Between 1 and 2 years	844	759
Between 2 and 3 years	440	251
Between 3 and 4 years	86	52
Between 4 and 5 years	45	24
More than 5 years	–	–
Total	2,804	2,171

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

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.

	2024 \$'000	2023 \$'000
Raw materials and stores	8,509	10,372
Working progress	82	71
Finished goods	11,647	15,047
Total inventories	20,238	25,490

Inventories recognised as an expense (cost of sales) during the year ended 30 June 2024 amounted to \$25,347,000 (2023: \$28,394,000)

Management has performed an assessment of inventories held for the year ended 30 June 2024 and recognised write-downs during the year of \$235,000 (2023: \$1,360,000). 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.

7 Operating assets and liabilities *continued*

7.2 Property, plant and equipment *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 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
As 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
Year ended 30 June 2024				
Opening net book amount	5,495	6,708	530	12,733
Additions	469	3,464	367	4,300
Retirement and others	–	(140)	–	(140)
Transfers	35	400	(435)	–
Depreciation charge	(1,573)	(2,947)	–	(4,520)
Foreign currency translation effect (net)	1	(3)	5	3
Closing net book amount at 30 June 2024	4,427	7,482	467	12,376
As at 30 June 2024				
Cost	10,606	25,494	467	36,567
Impairment	–	–	–	–
Accumulated depreciation	(6,179)	(18,012)	–	(24,191)
Net book amount at 30 June 2024	4,427	7,482	467	12,376

Leasehold improvement includes additions of \$370,000 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 \$9,646,000 (2023: \$8,029,000) and \$3,638,000 (2023: \$3,269,000), respectively.

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

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 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
Opening net book amount as at 1 July 2023	9,426	336	9,762
Additions	1,365	266	1,631
Depreciation expense	(2,792)	(232)	(3,024)
Closing net book amount at 30 June 2024	7,999	370	8,369

7 Operating assets and liabilities *continued*

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, which 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.

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 (2023: Nil).

Total intangible assets at net book value

	ERP and computer software \$'000
Year ended 30 June 2023	
Opening net book amount	217
Additions	5
Amortisation	(129)
Foreign currency translation effect (net)	3
Closing net book amount at 30 June 2023	96
As at 30 June 2023	
Cost or fair value	2,939
Accumulated depreciation	(2,843)
Net book amount at 30 June 2023	96
Year ended 30 June 2024	
Opening net book amount	96
Additions	2
Amortisation	(88)
Foreign currency translation effect (net)	1
Closing net book amount at 30 June 2024	11
As at 30 June 2024	
Cost or fair value	2,942
Accumulated amortisation	(2,931)
Net book amount at 30 June 2024	11

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

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

	2024			2023		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Provision for warranty	682	–	682	629	–	629
Make good provision	–	95	95	–	30	30
Total provisions	682	95	777	629	30	659

Movements in provisions

	Provision for warranty \$'000	Make good provision \$'000	Total \$'000
Carrying amount at the beginning of the year	629	30	659
Additional provisions recognised	533	65	598
Amounts used/reversed during the period	(480)	–	(480)
Carrying amount at end of the year	682	95	777

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.

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:

	2024				2023			
	USD \$'000	GBP £'000	Euro €'000	CAD \$'000	USD \$'000	GBP £'000	Euro €'000	CAD \$'000
Cash and cash equivalents	7,036	482	632	983	6,514	901	829	1,365
Trade and other receivables	18,964	498	1,087	806	18,382	473	927	751
Trade and other payables	(3,011)	(254)	(334)	(320)	(2,798)	(133)	(134)	(286)
	22,989	726	1,385	1,469	22,098	1,241	1,622	1,830
Foreign currency forward contracts and options to buy/sell USD	81,700	-	-	-	46,100	-	-	-

Sensitivity

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

	Impact on post-tax profit		Impact on other components of equity	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Change in USD rate				
Increase 5%	4,402	3,324	(1)	(826)
Decrease 5%	(4,974)	(2,557)	1	747
Change in GBP rate				
Increase 5%	152	235	(145)	(212)
Decrease 5%	(138)	(213)	131	192
Change in EUR rate				
Increase 5%	316	222	(333)	(178)
Decrease 5%	(286)	(201)	302	160
Change in CAD rate				
Increase 5%	151	176	(131)	(141)
Decrease 5%	(137)	(159)	118	128

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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

8 Financial risk management continued

a) Market risk continued

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:

		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	
2024	Notes						
Financial assets							
Cash and cash equivalents	6.1	23,452	106,100	–	–	–	129,552
Trade and other receivables	6.2	–	–	–	–	39,669	39,669
Derivative financial instruments	6.3	–	–	–	–	1,952	1,952
Total financial assets		23,452	106,100	–	–	41,621	171,173
Weighted average interest rate		0.29%	5.03%	–	–	–	–
Financial liabilities							
Trade and other payables	6.4	–	–	–	–	9,974	9,974
Lease liabilities	6.5	–	3,141	5,972	190	–	9,303
Derivative financial instruments	6.3	–	–	–	–	200	200
Total financial liabilities		–	3,141	5,972	190	10,174	19,477
Weighted average interest rate		–	3.72%	3.72%	3.72%	–	–
Net financial assets/(liabilities)		23,452	102,959	(5,972)	(190)	31,447	151,696

		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	Notes						
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

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 2024, 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 \$211,000 (2023: \$181,000). 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.

8 Financial risk management *continued*

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. The 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:

	2024 \$'000	2023 \$'000
North America	29,423	28,417
Europe	2,104	1,984
Asia Pacific	1,734	1,772
	33,261	32,173
Maximum exposure to credit risk for trade receivable by type of counterparty was as follows:		
Distributors	2,786	3,814
End-user customers	30,475	28,359
	33,261	32,173

As at 30 June 2024, GE Healthcare (worldwide) and Henry Schein (worldwide), combined, accounted for over 14.2% of the trade receivables (2023: 11.4%).

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

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, 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:

	2024 \$'000	2023 \$'000
GE Healthcare and associated affiliates	2,346	1,954
Covered by credit insurance	18,990	19,280
Other customers:		
Four or more years' trading history with the Group	2,044	1,551
Less than four years' trading history with the Group	783	651
	24,163	23,436

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

8 Financial risk management continued

b) Credit risk continued

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 2024, trade receivables with a nominal value of \$334,000 (2023: \$233,000) 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:

	2024 \$'000	2023 \$'000
Balance at 1 July	233	31
Provision for impairment recognised during the year	334	233
Receivables written off during the year as uncollectible	(134)	(31)
Unused amount reversed	(72)	–
Balance at 30 June	361	233

Past due but not impaired

As at 30 June 2024, trade receivables of \$9,039,000 (2023: \$8,456,000) 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:

	2024 \$'000	2023 \$'000
Neither past due nor impaired	24,222	23,717
Past due but not impaired		
< 30 days	6,187	5,280
30-60 days	1,730	1,002
> 60 days	1,122	2,174
	33,261	32,173

8 Financial risk management *continued*

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 \$106,100,000 (2023: \$88,482,000) that are expected to readily generate cash inflows, as well as cash at bank of \$23,452,000 (2023: \$23,677,000) 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
2024					
Trade and other payables	9,974	–	–	–	9,974
Lease liabilities	851	2,579	6,266	215	9,911
Derivative financial instruments	30	97	73	–	200
Total financial liabilities	10,855	2,676	6,339	215	20,085
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

Notes to the consolidated financial statements continued

For the year ended 30 June 2024

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 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
Issue of shares under employee share plans – proceeds received	682,088	334
Balance 30 June 2024	302,997,848	114,545

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.

10. Other notes

10.1 Commitments

Capital commitments

As at 30 June 2024, the Group had commitments to purchase plant and equipment of \$3,145,000 (2023: \$580,000). 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

	2024 \$'000	2023 \$'000
Director fees	919,157	734,309
Short-term employee benefits	2,368,599	2,816,760
Long-term employee benefits	206,394	304,130
Post-employment benefits	206,058	187,037
Share-based payments	1,737,022	2,178,151
Total Directors and Key Management Personnel compensation	5,437,230	6,220,387

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.

In the period to 30 June 2024, there were no transactions with related parties.

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

As at 30 June 2024, there are no 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 2023: 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 2024 (2023: 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

For the year ended 30 June 2024

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	
				2024	2023
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 2024, 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

	2024 \$'000	2023 \$'000
Statement of financial position		
Current assets	200,080	197,783
Total assets	223,590	221,112
Current liabilities	15,290	17,606
Total liabilities	22,125	28,467
Shareholders' equity		
Share capital	114,546	114,211
Share-based payments reserve	33,048	29,096
Hedging reserve (net of tax)	984	(10)
Retained earnings	52,887	49,348
Total equity	201,465	192,645
Profit for the year	3,537	19,475
Total comprehensive income	4,537	20,966

10. Other notes continued

10.4 Parent entity information continued

ii) Guarantees entered into by the parent entity

For the year ended 30 June 2024, 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 2024 (2023: Nil).

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

As at 30 June 2024, the parent entity had commitments to purchase plant and equipment of \$1,886,000 (2023: \$512,000). 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:

	2024 \$	2023 \$
Fees to Ernst & Young (Australia)		
Audit services		
Fees for auditing the statutory financial report of the parent covering the Group	507,900	408,418
Fees for auditing the statutory financial reports of the controlled entities based in the UK	70,236	56,190
Total audit services	578,136	464,608
Non-audit services		
Tax compliance (Australia)	85,425	90,978
Tax compliance (Overseas)	13,505	2,762
Other services	–	–
Total non-audit services	98,930	93,740
Total fee for services provided	677,066	558,348

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

No matters or circumstances that have arisen since 30 June 2024 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.

Consolidated Entity Disclosure Statement

The consolidated entity comprises the following entities that are part of the consolidated entity at 30 June 2024:

Name of controlled entity	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax residence
Nanosonics Europe GmbH	Body corporate	Germany	100%	Germany
Nanosonics Europe GmbH (Ireland branch)	Body corporate	Germany	100%	Ireland
Saban Ventures Pty Limited	Body corporate	Australia	100%	Australia
Nanosonics, Inc.	Body corporate	USA	100%	USA
Nanosonics Europe Limited	Body corporate	UK	100%	UK
Nanosonics UK Limited	Body corporate	UK	100%	UK
Nanosonics UK Limited (France branch)	Body corporate	UK	100%	France
Nanosonics UK Limited (Ireland branch)	Body corporate	UK	100%	Ireland
Nanosonics Canada, Inc.	Body corporate	Canada	100%	Canada
Nanosonics Japan KK	Body corporate	Japan	100%	Japan
Nanosonics (Shanghai) Co. Ltd	Body corporate	China	100%	China
Nanosonics Investments Pty Ltd	Body corporate	Australia	100%	Australia
Nanosonics Employee Equity Trust	Trust	Australia	100%	Australia

Directors' declaration

For the year ended 30 June 2024

1. In the Directors' opinion:
 - a) The financial statements and notes set out on pages 66 to 104 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 2024 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; and
 - d) The consolidated entity disclosure statement required by section 295(3A) of the Corporations Act is true and correct.
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, 27 August 2024

Independent Auditor's Report to the members of Nanosonics Limited



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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 the 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 this matter. 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 matter below, provide the basis for our audit opinion on the accompanying financial report.



Revenue from Customer Contracts

Why significant	How our audit addressed the key audit matter
Revenue from the sale of goods and services for the year ended 30 June 2024 totalled \$170,011,853. 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. This 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 Revenue from Contract with Customers, 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 Note 2 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 2024 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 continued



Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and;
- b. The consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii. The consolidated entity disclosure statement that is true and correct and is free of 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.
- ▶ 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 44 to 65 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Nanosonics Limited for the year ended 30 June 2024, complies with section 300A of the Corporations Act 2001.

Independent Auditor's Report to the members of Nanosonics Limited continued



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
27 August 2024

Shareholder information

The shareholder information set out below was applicable as at 16 August 2024.

A. Equity security holders

Twenty largest holders of quoted equity securities

Ordinary shares	Number of quoted shares held	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	51,277,573	16.92%
CITICORP NOMINEES PTY LIMITED	50,339,477	16.61%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	39,860,096	13.16%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C>	14,993,564	4.95%
BNP PARIBAS NOMS PTY LTD	14,088,824	4.65%
NATIONAL NOMINEES LIMITED	12,429,010	4.10%
UBS NOMINEES PTY LTD	12,018,963	3.97%
MR MAURIE STANG ¹	8,429,534	2.78%
MR STEVE KRITZLER	6,489,737	2.14%
MR BERNARD STANG ¹	6,862,564	2.26%
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	5,715,556	1.89%
MIRRABOOKA INVESTMENTS LIMITED	2,840,511	0.94%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,534,549	0.84%
DR HARRY HIRSCHOWITZ	2,139,090	0.71%
BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	1,697,770	0.56%
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	1,373,622	0.45%
CERTANE CT PTY LTD <NANOSONICS EET A/C>	1,206,695	0.40%
CITICORP NOMINEES PTY LIMITED <143212 NMMT LTD A/C>	1,054,295	0.35%
POWERWRAP LIMITED <ESCALA SMA TRADING A/C>	919,357	0.30%
MR EVAN PHILIP CLUCAS & MS LEANNE JANE WESTON <KURANGA NURSERY SUPER A/C>	908,378	0.29%
Total top 20 holders	237,179,165	78.27%
Total all other holders	65,818,683	21.73%
Total shares on issue	302,997,848	100.00%

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

Unquoted equity securities	Number of 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	3,187,844	188
Share appreciations rights under NOEP to take up unissued ordinary shares	2,682,646	57
Options under NOEP to take up unissued ordinary shares	657,468	10
Total performance rights and options on issue	6,527,958	189

1. There are 189 unique holders with a number of holders 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 & options		
	Units	Percentage	Holder	Units	Percentage	Holder
1 - 1,000	3,548,072	1%	8,213	37,119	1%	91
1,001 - 5,000	11,894,090	4%	4,672	83,164	1%	38
5,001 - 10,000	8,620,059	3%	1,150	86,313	1%	13
10,001 - 100,000	24,395,792	8%	1,005	1,233,384	19%	34
100,001 and over	254,539,835	84%	93	5,087,978	77%	13
Total holders	302,997,848	100%	15,133	6,527,958	100%	189

A total of 235,583 units were held by 2,257 holders of less than a marketable parcel of 100 ordinary shares at \$2.83 per share (being the closing price on 16 August 2024).

C. Substantial holders

Substantial holders in the Company are shown below:

	Number of ordinary shares	Percentage
Selector Funds Management Limited ¹	19,739,127	6.5%
Yarra Capital Management Group ¹	18,986,206	6.3%
Mr Maurie Stang ^{1,2}	18,913,333	6.2%
Mitsubishi UFJ Financial Group, Inc. ³	17,829,015	5.9%
State Street Corporation ⁴	17,794,955	5.9%
Mr Bernard Stang ^{1,2}	16,353,493	5.4%

1. Shares held by substantial holder as at 30 June 2024.

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

3. Based on notice of initial substantial holder dated 25 July 2024.

4. Based on notice of initial substantial holder dated 15 July 2024.

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 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
AcuTrace®	RFID technology that digitally captures the clinical workflow
AGM	Annual General Meeting
APES	Accounting Professional and Ethical Standard
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
AUD	Australian dollar
AuditPro™	Digital workflow compliance management system for tracking various instruments used in medical procedures
ANZ	Australia and New Zealand
CAD	Canadian dollar
CAGR	Compounded Annual Growth Rate
CDC	Center for Disease Control
CEO	Chief Executive Officer
CEO&P	Chief Executive Officer and President
CFO	Chief Financial Officer
CIO	Chief Information Officer
COO	Chief Operating Officer
Company or Nanosonics	Nanosonics Limited ABN 11 095 076 896
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
CSO	Chief Security Officer
CTO	Chief Technology Officer
COVID-19	Coronavirus disease of 2019
Date of this report	27 August 2024
EBIT	Earnings Before Interest and Tax
EBTDA	Earnings Before Tax Depreciation and Amortisation
EMEA	Europe Middle East and Africa
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
ESOP	Employee Share Option Plan
EUR	European Currency
FAICD	Fellow of the Australian Institute of Company Directors
FDA	Food and Drug Administration
FY	Financial year, e.g. FY2024 is the financial year ended 30 June 2024
GBP	Great Britain Pound
GESP	Global Employee Share Plan
Group	Nanosonics Limited and its wholly owned subsidiary companies
GST	Goods and Services Tax
H1	First half of the year, e.g. 01 July – 31 December
H2	Second half of the year, e.g. 01 January – 30 June
H₂O₂	Hydrogen Peroxide
HIV	Human Immunodeficiency Virus
HLD	High-Level Disinfection – involves the complete elimination of all microorganisms in or on an instrument, except for small numbers of bacterial spores
IASB	International Accounting Standards Board
IB	Installed base

Glossary

IFRS	International Financial Reporting Standards
IP	Intellectual Property
ITAA	Income Tax Assessment Act
iTSR	Index Total Shareholder Return
KMP	Key Management Personnel
LTI	Long-Term Incentives
LTIFR	Lost Time Injury frequency rate
LTIS	Long-Term Incentive Scheme
M&A	Merger and Acquisitions
NAIDOC	National Aboriginal and Islanders Day Observance Committee
NAN	Nanosonics Limited (ASX Code)
NED	Non-Executive Director
NHS	National Health System (UK)
NOEP	Nanosonics Omnibus Equity Plan
OEM	Original Equipment Manufacturer
PBT	Profit before tax
PCP	Prior corresponding period
PR	Performance Rights
Q1, 2, 3, or 4	Three-monthly periods beginning 1 July, 1 October, 1 January and 1 April respectively
QMS	Quality Management System
R&D	Research and Development
Reporting period	Year to 30 June 2024
ROE	Return on equity
RPCC	Remuneration, People and Culture Committee
rTSR	Percentile Rank of the Company's Total Shareholder Return
SARs	Share Appreciation Rights
SARS CoV-2	Severe acute respiratory syndrome coronavirus 2
SG&A	Selling, General and Administration
STeP	FDA Safer Technologies Program
STI	Short-Term Incentives
TFR	Total Fixed Remuneration
trophon®	The brand representing Nanosonics' range of infection control solutions designed specifically for healthcare settings
trophon® EPR	The brand of Nanosonics' first generation device specifically designed to disinfect intracavity and surface ultrasound probes
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
TEE	Transesophageal Echocardiography
TSR	Total Shareholder Return
UGAP	Union des Groupements d'Achats Publics
UK	United Kingdom
UROE	Underlying return on equity
US	United States of America
USD	United States dollar
VAT	Value Added Tax
VWAP	Volume Weighted Average Price
WAEP	Weighted Average Exercise Price
WHS	Work, Health and Safety

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
Tracey Batten
Larry Marshall
Michael Kavanagh

Company Secretary

Matthew Carbines

Registered Office

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

Share Register

Computershare Investor Services Pty Ltd

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

Jason Burriss – CFO
Ph: +61 2 8063 1600
Email: info@nanosonics.com.au

Auditor

Ernst & Young

200 George Street
Sydney NSW 2000 Australia

Legal Advisors

G+T

Level 35, Tower 2/200 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

2024 Annual General Meeting

The 2024 AGM of Nanosonics Limited will
be held at Level 1 Building A, 7-11 Talavera Road,
Macquarie Park NSW 2113 at 11:00am
on 12 November 2024.

Details to be announced separately.

Website address

www.nanosonics.com.au

 nanosonics