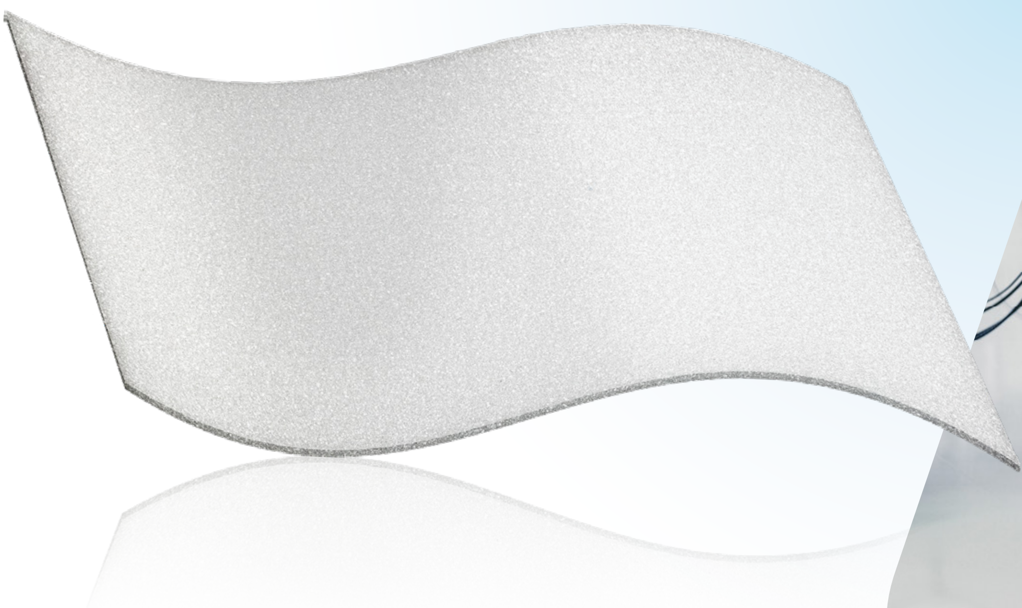
PolyNovo®

Healing. Redefined.

Annual Report
2024

Contents

PolyNovo is a disruptive medical technology company. Its products simplify managing acute complex wounds, redefining healing with differentiated outcomes across many etiologies. After treating 50,000+ patients across 41 countries, the Company is investing for growth via new products, indications, and markets with a vision to treat millions more.



Our Vision

Healing. Redefined.

Our mission is to innovate and bring disruptive technologies to market by partnering with the best minds to improve patient outcomes and reimagine the standard of care.

Our Values

We put patients first.

We earn trust.

We innovate boldly.

We believe in each other.

We respect and nurture diversity.

Caitlin's Story

When 17-year-old Caitlin injured her foot while dancing, she was unaware that she would soon face a battle for her foot, and life.

Read more on Page 10

PolyNovo Promise

Our PolyNovian Promise is to Redefine Healing

Driven by duty, we are steadfast in our commitment to exceed expectations. We relentlessly pursue the adoption of safe, quality products with excellent outcomes, positioning ourselves as a reliable partner in healthcare. We operate with integrity, invite feedback, and forge lasting relationships with the communities we serve. Whether facing conflict, disaster, or everyday tragedy, we aspire to redefine healing. We price our products responsibly, maximising access without compromising our ability to ensure sustained investment in innovation. We are scaling at pace across the world to enhance the standard of care; because patients are waiting for new solutions, and we put patients first.

At the heart of our promise is the sharing of knowledge. By engaging the best minds, we become trusted partners to the healthcare community, reshaping perspectives on healing and what is possible. We believe in each other, valuing diversity of thought, embracing novel approaches, and learning quickly from both success and failure. At our core we embrace disruption with the understanding that this propels us forward. We understand that innovation extends beyond product development, and we are committed to actively integrating innovation into everything we do. All because patients deserve the best, and we put patients first.

We are committed to supporting every PolyNovians' career journey. We believe in fostering an environment where everyone is treated with fairness and respect, regardless of their background or circumstances. We are committed to providing equity by ensuring individuals have access to the same opportunities and resources to thrive and succeed. We do this because we understand that it is PolyNovians who will deliver our promise to redefine healing. Because patients have waited too long, and we put patients first.




Our Performance

Annual growth in NovoSorb sales of 54.5% reflects the strength of our commercial teams, surgeon-led innovation, and increasing demand for our products globally.

Total Group Revenue

57.5% ↑

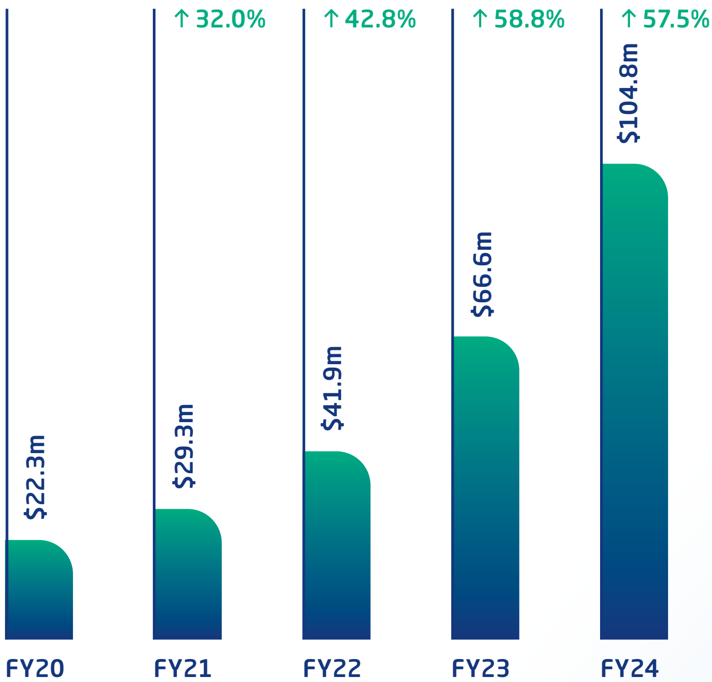
FY24 $104.8m
FY23 $66.5m

NovoSorb Group Sales

54.5% ↑

FY24 $92.0m
FY23 $59.6m

Total Revenue Growth



NovoSorb U.S. Sales
49.0% ↑
FY24 $68.7m
FY23 $46.1m

Cash Flows From Operating Activities
155.7% ↑
FY24 $3.7m
FY23 $-6.6m

NovoSorb ROW (Rest of World) Sales
73.3% ↑
FY24 $23.4m
FY23 $13.5m

Total Employees
16.5% ↑
FY24 254
FY23 218

Barda Revenue
96.9% ↑
FY24 $11.2m
FY23 $5.7m

R&D Related Expenditure
47.1% ↑
FY24 $10.9m
FY23 $7.4m

Chairman's Report

PolyNovo is now the category leader in burn procedures in several markets around the world and has a track record of leveraging this reputation in other arenas, including trauma and limb salvage.

David Williams
Chairman

Dear Shareholders,

The continued growth achieved in FY24 reflects a wider geographic footprint, more sales staff, and a growing acceptance of NovoSorb BTM and MTX, by surgeons wanting the next generation dermal regeneration solution.

Expanding our geographical footprint and going deeper into existing markets signals continued growth in FY25. Growth is coming not only from further depth and breadth of market penetration, but due to clinicians using NovoSorb BTM to change the way surgery is done.

Unprompted, surgeons are trialling and writing about NovoSorb BTM and MTX, presenting their experiences at industry events. Many clinicians have identified other patient applications that would benefit from our technology. Alongside this, we have accelerated our R&D efforts and documented those in a large number of journal articles.

Group Performance

Sales growth in direct markets accelerated across all geographies in FY24. In April, monthly sales were A$9.2m and total revenue was A$10.5m. In May, monthly sales were A$9.8m and total revenue was A$11.3m. Revenue and sales will always be unpredictable given the nature of the category, but our record to date shows exceptional growth over the medium term.

Global NovoSorb BTM sales of $92.0m were up 54.5% vs. the prior year of $59.6m. The U.S. was up 49.0% in AUD (45.6% in USD) and the Rest of World (ROW) was up 73.3% vs. the prior year. Australia increased sales by 38.7%, U.K./I by 81.5% and distributors in the EU, particularly Germany, grew by 81.2% vs. the prior year.

Total revenue of $104.8m was up 57.5% on the prior year, encompassing revenue from the BARDA pivotal trial. With 120 enrolled patients, this critical project nears its completion.

Net profit after tax of $5.3m, grew 206.8% on the prior year loss of $4.9m.

PolyNovo is now the category leader in burn procedures in several markets around the world and has a track record of leveraging this reputation in other arenas, including trauma and limb salvage.

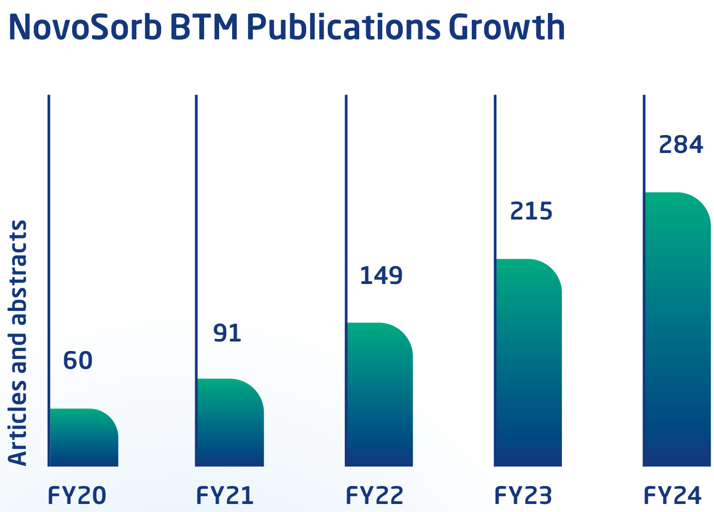
NovoSorb MTX received 510(k) FDA clearance in September 2022 and following a period of limited market release, the product was launched in the U.S. in late FY24. Surgeons have embraced the product, and it is quickly finding a place in complex wound management, with use accelerating amongst vascular surgeons in diabetic patients. We have also seen cases of NovoSorb MTX being used to fill deeper wound deficits, with NovoSorb BTM used as a protective cover.

The core NovoSorb technology can support other clinical needs and we are open to partners to help co-develop, commercialise, or distribute new products. The recent appointment of President, Asia Pacific is intended to accelerate entry into Japan, planned for FY25.

The addition of SUPRATHEL (via distribution) to our product portfolio of Australia, New Zealand and the U.K./I has given our sales team the opportunity to have more conversations with clinicians and offer patients with complex wounds a greater mix of evidence-based solutions.

We continue to invest in resources to drive growth. Employee numbers increased from 218 to 254, and we have continued to increase our sales footprint in established markets, particularly the U.S.

Construction of our third manufacturing facility commences in August 2024 and is predicted to service up to an additional A$500 million in product sales. This is a manufacturing capacity at approximately 5 times current production volumes. We estimate that the facility will be operational in December 2025, funded by the capital raise in November 2022. It is pleasing that this is a very capital light facility.



In FY25 we expect to see strong revenue growth in direct markets particularly the U.S., U.K./I, ANZ, India, and Hong Kong. In FY24, we saw the first successful tender application in India, with NovoSorb BTM included in the Government-e-Marketplace.

Outlook

We ended the year 30 June 2024 with $45.9m cash, putting us in a strong position to fuel global expansion.

In FY25 we expect to see strong revenue growth in direct markets particularly the U.S., U.K./I, ANZ, India, and Hong Kong. In FY24, we saw the first successful tender application in India, with NovoSorb BTM included in the Government-e-Marketplace. We expect this momentum to continue. We are confident that our key distributor markets, Germany, and Canada, will continue their strong growth.

We await the outcome of the BARDA clinical trial, with recruitment close to complete.

Further applications for FDA 510(k) clearances are expected in FY25 allowing expansion of the NovoSorb MTX and BTM product portfolio. This will continue to increase total addressable markets.

A feature of the year for me was discovering the need for our product in war zones like Ukraine and the Middle East. While helping directly and indirectly in those areas, we imagine a huge unmet need in other theatres such as in Africa.

Closing

I would like to thank our shareholders for their continued support and confidence and toast our network of clinicians for their powerful belief in our technology. I would also like to thank our team around the world for their work and enthusiasm.

David Williams
Chairman

CEO Letter

As proud as we are of serving over 50,000 patients in our young history, we remain acutely conscious of millions more who stand to benefit from access to our products.

Swami Raote
Chief Executive Officer

Accelerating Global Impact

It has been a decade since NovoSorb healed its first patient comprehensively in South Australia.

Since receiving FDA clearance nine years ago, we have been fortunate to touch, heal and reimagine the lives of over 50,000 plus patients despite the Covid interruptions. Meanwhile, we have been able to successfully rollout and provide access to our products and training in over 41 countries across the world including many countries who have never had access to advanced skin substitutes. As our pivotal clinical trial, with BARDA's support enters its final phase, we are looking forward to working with the FDA to secure a PMA approval and working with insurance providers to expand reimbursement for health systems, enabling deeper penetration into life altering procedures. This represents an important validation of the importance of our product and the benefits it provides.

As we scale, creating a special patient centric culture with our associates is critically important to us. Earlier this year, we introduced the PolyNovo Promise, capturing our purpose and philosophy around how we would like to engage with each stakeholder group, helping us lean into and live out, our vision, mission, and values. As versatile as our technology platform is, it is our people and culture that define us and create a common soul, even as we execute and express ourselves differently across different geographies.

Clinician Driven Momentum

We continued to advance our strategic goals around our four vectors of growth. After driving superior patient outcomes with NovoSorb BTM, we have already achieved leading market share in all participating leading developed geographies in difficult burns. We are looking forward to entering and investing in professional education in developing geographical markets like South Asia and Southeast Asia for which NovoSorb BTM was designed and developed.

The U.S. remains the driving force of the company, recording growth of 49.0% on STLY (A$68.7m from A$46.1m). We are grateful for our partnership with BARDA on the pivotal clinical trial for third degree burns and are looking forward to securing PMA approval. In the U.K. and Germany, we are the overwhelming market leaders in difficult burns as well as soft tissue reconstruction procedures. We hope to expand this leadership status across the remaining top 5 EU markets within the next eighteen months. In Australia, New Zealand, and Hong Kong we continue to seek newer areas of growth in vascular surgery and diabetic limb preservation.

In India, our efforts to develop the dermal substitute category continue at pace. In March, we announced that NovoSorb BTM received approval to be included in the Government-e-Marketplace (GeM) portal, facilitating the use of the product across all Defence, Railways and ESIC (Employee State Insurance Corporation) Hospitals. With a high incidence of burn injuries and resulting disability, it is gratifying to know we are continuing to help patients by seeing a quick adoption of NovoSorb technology, and improved access across the country.

Meaningfully Differentiated Patient Outcomes

As simple as our technology is, it's true genius lies in its versatility, robustness when confronted with infections and ability to allow surgeons autonomy on time to graft. Additionally, resource utilisation with NovoSorb BTM is minimal compared to prevailing biologics through reduced complexity and cost, helping providers be more productive with patient outcomes and experience.

Surgeons continue to provide insights regarding our products and their unmet needs, which drive our new product pipeline. In addition to line extensions and new products in graftable devices, we are excited about the early promise of our implantable device pipeline. We are looking forward to

We continue to look forward to accelerating our global presence, including important geographies like Japan, China, and Brazil, while staying open to tactical opportunities created by our surgeons across geographical clusters.

investing in building our clinical evidence across a range of clinical jobs, as well as proving our value versus current standards for these procedures with health economic outcomes research. We are partnering with multiple key opinion leaders to build our Professional education program, "Science of Complex Wound Management", which will help us train clinicians in protocols across a range of indications, patient context, and health system constructs.

After a limited market release of NovoSorb MTX, we have started rolling out this product across the U.S. and gradually across different geographies. We are looking forward to launching multiple variants of NovoSorb MTX, including a particulate variant that will drive its adoption as a soft tissue reconstruction platform of choice for clinicians. In addition to our own products, we remain open to alliances to partner and build on our procedural strength in difficult burns and other complex wounds, while leveraging clinicians and academia for their expertise and insights in developing new products or treatment algorithms.

The addition of SUPRATHEL to our product suite in Australia, New Zealand and the United Kingdom offers greater opportunity to support our customers across the continuum of complex wounds and burn care. SUPRATHEL, a leading epidermal substitute in continental Europe, is supported by a large body of evidence and will ensure that patients in these markets have access to a greater range of solutions to achieve the best possible healing outcome.

FY25 and Beyond

We will continue to advance on our strategic priorities in a responsible fashion. We are excited about the new products to emerge out of our laboratory, the new focused indications that we are targeting to conquer across different geographies and the investment in our sales force and information technology to help our teams on the frontlines make the best decisions for our customers and patients.

Our plans for capacity expansion are on track, and we will see a significant increase in production to satisfy global demand in December 2025. This will be critical as sales from the world's most populous nations, including India, grow. Our investment in our Port Melbourne manufacturing facility remains capital light and efficient, with the third facility providing greater modularity and enhanced scale.

We continue to look forward to accelerating our global presence, including important geographies like Japan, China, and Brazil, while staying open to tactical opportunities created by our surgeons across geographical clusters. As proud as we are of serving over 50,000 patients in our young history, we remain acutely conscious of millions more who stand to benefit from access to our products.

To our shareholders and clinicians, who have travelled alongside us on this exciting journey, thank you for your support and enduring confidence in our technology. To our teams, your continued commitment to our values has seen our products redefine healing across globe, and we thank you for your contribution and commitment to our vision. Finally, and most importantly, we also thank the patients and their families for placing their trust in our solutions at what is often the worst times in their lives.

Swami Raote
Chief Executive Officer

Potential Realised: Caitlin's Story

When 17-year-old Caitlin injured her foot while dancing, she was unaware that she would soon face a battle for her foot, and life.

In May 2023, after just celebrating her 17th birthday, Caitlin Cooper sustained an injury to her foot when she was performing a dance routine. She kept dancing despite being in pain; being a full-time dance student, these things happened every now and then.

But the pain continued, and gradually got worse. Caitlin went for a check-up with her GP. Scans were organised, and Caitlin was diagnosed with a soft tissue injury. But the pain continued and got worse. "My ears were ringing, and I was starting to drop in and out of consciousness".

Caitlin was soon in an ambulance and on her way to hospital for treatment.

After a fast diagnosis of necrotising fasciitis by the Plastic Surgeon on duty, Caitlin was prepared for surgery.

Necrotising fasciitis is a life-threatening condition that arises from the rapid onset and progression of infection through the soft tissues, extending from the epidermis to the deep muscle layers. The extent of injury can be severe and treatment for necrotising fasciitis can result in large skin defects, with the risk of limb amputation.

The diagnosis saved Caitlin's life, and the focus became achieving the best possible functional and cosmetic outcome for her foot.

Caitlin's mother was given the choice of three surgical solutions, and elected to use NovoSorb BTM, as it offered the likelihood of a better functional outcome. This was important because despite this setback, Caitlin's big dreams were unchanged – she was going to return to dance.

Caitlin describes NovoSorb BTM as "the best option for me to really have a better outcome, a synthetic foam like material that generates new tissue in my foot."

Without NovoSorb BTM, I don't think I would be able to dance and be where I am now. It's helped my scar heal, and it's helped the movement in my foot.

What followed was a series of surgeries. Reflecting upon this time, Caitlin says that it's a blur. "After surgeries I was always anxious."

NovoSorb BTM was applied to the wound on Caitlin's foot, and Caitlin was able to go home for a few weeks while the matrix integrated. The wound was then closed with the help of a split-thickness skin graft.

As her foot healed, Caitlin started the long road to recovery, learning to walk again and returning to school.

"Learning to walk again was hard; it was a big change to mindset as well as physically difficult. I did a lot of rehab and physio, and that's what really helped me to get back here, dancing and walking again."

Reflecting upon her journey, Caitlin is grateful to her surgical and nursing team, for their quick action, quality care, and ongoing support.

"I really think that I'm a different person to who I was before I was injured. My mindset has changed, the way I look at the world has changed, I appreciate and am grateful for everything. The injury has shaped me, and as a performer, I'm much more self-disciplined and much stronger, mentally, and physically."

I was told that I was never going to dance again. I was told that I could have lost my leg. I didn't want to believe it, and I knew that I didn't want that to happen. I had to get back to dancing.

Global Strategy: Graftable and Implantable

NovoSorb®

Graftable	Burns	NovoSorb® BTM	• Wraps • Extra large • 1mm, 4mm, 6mm	• Synthetic allograft • Antimicrobial
	Complex Wounds	NovoSorb® MTX	• 1mm, 4mm, 6mm • Particulate (contouring, tunneling)	• Immediate STSG • Antimicrobial
Implantable	Surgical Mesh Tissue Scaffold	NovoSorb® SynTrel NovoSorb® SynTrix	• Simple hernia (mesh alone) • Soft-tissue augmentation	• Complex hernia (mesh + NovoSorb MTX) • Abnorminal wall recon implant stabilisation (sling)
			Short term 12–18 months	**Longer term** 18–36 months

NovoSorb®

	Lead	Grow	Develop	Seed
	Deep Dermal Burns	Trauma, Necrotizing Fasciitis, Hidradenitis, Paediatric	Vascular, Pressure, Diabetic foot Ulcers	Breast Reconstruction & Augmentation, Abdominal Wall, Hernia
	Intensive Care	Acute Care	Acute Care	Acute Care, Ambulatory Care, Physicians Office
	BTM	**BTM / MTX**	**SynPath**	**SynTrel, SynTrix**
	Burn Surgeons	Plastic & Reconstruction, Trauma, Paediatric	Plastic & Reconstruction, General, Trauma, Surgical Podiatry	Aesthetic Surgeons
	USA / ANZ	UK, Germany, Hong Kong, India, Canada	Japan, China	South Korea, Thailand, Italy, Spain, Brazil

	U.S.	Global
Burns surgeons	~200	~2,500
Plastic and reconstructive surgeons	~7,500	~45,000
General surgeons	~18,000	>200,000

Multiple Options for Global Growth

	Progress in FY24	Growth Plans
Geographic expansion	• Registrations obtained for Peru, Bolivia, Ecuador, Thailand, and Sri Lanka. • Strengthened the U.S. team from 93 to 107 (June 2024) and increased U.S. customer accounts by 197. • Distributor appointed for market entry into Peru, Bolivia and Ecuador	• New registrations for NovoSorb BTM are currently underway in Mexico and Egypt. • Initiated plans to enter Japan (one of the largest medical device markets) in FY25. • Identifying potential partners in China.
New indications for NovoSorb	• Surgeon led insights and innovation continue to drive new indications and applications. • NovoSorb BTM is the leader in difficult burns in Australia, New Zealand, U.K, Germany, and the U.S. • Sales growth for indications other than burns is accelerating, especially in developed markets.	• Increase TAM through access to new markets with existing products, e.g. complex trauma reconstruction, including paediatric indications and limb salvage.
New products	• Increased investment in R&D to support new product and faster commercialisation. • Full market release in U.S. of NovoSorb MTX. • Regulatory applications in progress for thicker iterations of NovoSorb MTX.	• Increase TAM with new iterations of existing products such as thicker and thinner versions of NovoSorb BTM and NovoSorb MTX. • Penetrate the additional A$500m addressable market in the U.S. that NovoSorb MTX opens. • Initiate regulatory processes for simple hernia and soft tissue reinforcement devices in FY26.
Capacity expansion to satisfy growth	• Finalised design and selected a builder for construction of a third manufacturing facility. • Awarded Victorian Government grant of A$2 million for R&D facilities expansion, subject to customary conditions.	• Commence construction (August 24) of new, co-located facility with production, and office facilities, designed for scale with focus on flexibility, modularity, and automation. Third facility is expected to be operational in December 2025, servicing an additional A$500m in revenue (~5x current production volumes). • Establish a new co-located R&D lab and innovation centre.

Suprathel®

PolyNovo has acquired exclusive sales and distribution rights in the U.K., Australia, and New Zealand for epidermal skin substitute SUPRATHEL®.

SUPRATHEL®

SUPRATHEL is used in the management of burns, donor sites, and abrasions, and is a synthetic product which was developed to mimic human skin; sharing properties such as elasticity, permeability to water vapor, and impermeability to bacteria. It is applied directly to a disinfected and debrided wound bed, where it stays in place until the wound is completely healed.

SUPRATHEL provides clinicians treating mid-dermal burns and other partial-thickness wounds an additional treatment pathway for procedures where NovoSorb BTM and NovoSorb MTX are not routinely used, complementing the Company's existing range of graftable products and offering customers access to a portfolio of solutions which covers the full continuum of complex wound care. The product has the relevant clinical approvals in each market and has been available in the U.K. since 2004.

SUPRATHEL is manufactured by PolyMedics (PMI) and is the market leader in key European markets with over 240,000 patients treated to date, and is backed by a large body of clinical evidence from around the world. The partnership with PMI is the first to see PolyNovo distribute third-party products in addition to its existing suite of NovoSorb products.

"We are pleased to reciprocate the sterling work done by PMI for us in Germany, Austria and Switzerland and look forward to presenting clinicians in UK and Australia complimentary products for healing acute complex wounds."

Swami Raote, Chief Executive Officer

Advantages of SUPRATHEL®

- Significant pain relief
- Low rate of infections, no biological risk
- Fast wound healing
- Lower treatment costs
- Excellent cosmetic outcomes and scar quality

Clinical Trials

BARDA (Biomedical Advanced Research and Development Authority) Pivotal Trial

Many mass casualties result in burn injuries which have long treatment and rehabilitation pathways imposing significant resource demands on health systems. Full-thickness dermal repair is the goal of all burn treatments.

BARDA supports advanced research, development, and procurement of medical countermeasures against American security threats for a broad array of public health threats.

NovoSorb BTM offers significant advantages compared to legacy standard of care in its ability to generate a neodermis, scalability and ease of use. PolyNovo provides BARDA an opportunity to explore, through rigorous clinical testing, the delivery of a new approach to mass burn management whilst improving the healed outcomes for patients.

The BARDA pivotal trial study is a multi-centre, randomised, fixed, group sequential design to compare the safety and effectiveness of NovoSorb BTM (BTM) to standard of care (SOC) in patients with severe full-thickness burn injuries. The study was approved by the U.S. Food and Drug Administration (FDA) in January 2021.

The outline is as follows:

- Up to 120 patients with 3% to 60% Total Body Surface Area (TBSA) deep dermal or full thickness thermal burns will be randomised to receive either NovoSorb BTM or SOC treatment to study wound areas.
- The primary effectiveness endpoint is to compare the total percent wound closure in the NovoSorb BTM and the SOC treatment groups.
- A secondary endpoint is to compare the proportion of study wounds achieving closure at 4 weeks after split-thickness skin grafting between the two randomised treatment groups.
- The primary safety objective is to compare the type, severity and incidence of adverse events occurring in the NovoSorb BTM and the SOC treatment groups.

Currently 120 patients have been recruited into the study.

Completion of the BARDA pivotal trial will generate data to support a premarket approval application with the U.S. FDA for an on-label claim supporting the use of NovoSorb BTM in full-thickness burns. This will bring the U.S. market in line with many other markets where this claim is already established.

Chronic Wound Study

Description

Randomised controlled investigator-initiated clinical study comparing the use of NovoSorb BTM combined with negative pressure wound therapy (NPWT) to clinical standard of care (NPWT alone) in subjects with neuroischemic diabetic foot wounds.

Indications

Obtaining additional clinical evidence to support the use of NovoSorb BTM for the management of chronic wounds, namely diabetic foot wounds complicated by vascular insufficiency, in global markets.

Progress

Study commenced in April 2022. A total of 64 subjects will be recruited, with equal numbers in each study group. To date, 58 subjects have been recruited.

Expected Completion

Recruitment is expected to be completed in late 2024.

120
patients

3% to 60%
Total Body Surface Area (TBSA) deep dermal or full-thickness thermal burns

"We are incredibly grateful to the patients and their families who volunteered for this study, and to the investigators who participated in it. We could not have achieved this milestone without their commitment to enhancing scientific knowledge and improving patient care."

Dr Joseph Amaral, Chief Medical Officer

Expanding Global Reach

Global NovoSorb BTM sales of $92.0m were up 54.5% vs. the prior year of $59.6m. The U.S. was up 49.0% in AUD (45.6% in USD) and the Rest of World (ROW) was up 73.3% vs. the prior year.

North America

Sales and profitability in our U.S. business continues to grow. Sales growth of 49.0%, deeper penetration of existing accounts and continued account acquisition demonstrates the strong demand for NovoSorb BTM. Outstanding patient outcomes is driving demand, and this remains our focus in FY25 through additional investment in clinical education.

The Company has seen an increase in demand for NovoSorb BTM for deep difficult burns, and we continue to accelerate penetration of the trauma market which will be aided by the recent full market release of NovoSorb MTX.

Our footprint in Canada continues to increase, including improved coverage of the East Coast after appointing a sales agent in the Central and West Coast in January 2023. We have added direct leadership to Canada and expect greater penetration of burn and trauma hospitals, while adding new key accounts. Registration for both NovoSorb MTX and NovoSorb BTM has been submitted for Mexico, with market entry expected in late FY25.

Our BARDA funded pivotal trial is in progress with 120 patients treated out of target 120 with recruitment occurring through 24 U.S. burn centres.

Overall, we will continue focusing on patient outcomes while internally focusing on our own efficiencies and investment in resources for greater effectiveness.

Europe & U.K.

EMEA region sales have grown by 112.8% including significant sales growth in the U.K., Ireland, and Germany where we are now #1 in full-thickness burns.

Strong account acquisition growth in the U.K. has been driven by increasing adoption of NovoSorb BTM by surgeons across a diverse range of indications including partial and full-thickness wounds, trauma wounds, cancer, pressure ulcers, diabetic ulcers, surgical wounds, and scar reconstruction. More clinical papers on NovoSorb BTM have been published in the U.K./I than any other market in the past year and customer accounts increased from 74 last year to 100.

The U.K. business is now profitable after achieving market leader position for full-thickness burns with NovoSorb BTM used in all 24 burns units and 22 major treatment centres.

Distributor markets, including longstanding partner in Germany covering the DACH region and more recent markets entered such as France and Spain have experienced strong growth. Germany, having already penetrated 98% of the burn centres, experienced significant growth demonstrating its strong traction in other indications outside of full-thickness burns.

81.5%

U.K. FY24 sales growth in AUD

107.2%

Hong Kong FY24 sales growth in AUD

119.9%

Europe FY24 sales growth in AUD

49.0%

U.S. FY24 sales growth in AUD

38.7%

Australia FY24 sales growth

Growth in sales has been driven by organic growth across established accounts and new account acquisition, facilitated by the continued expansion of our sales teams across direct markets, especially in the U.S. and U.K.

Asia

Sales in Hong Kong increased by 107.2% with recurring sales from five major public hospitals across a wide range of indications. Our exposure in Hong Kong is evolving quickly and will assist in expanding into China in the future.

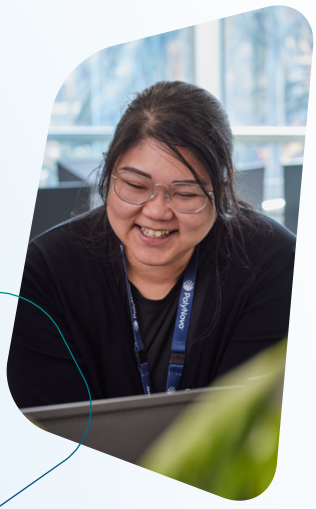
India experiences 7 million burn incidents, 9 million road accidents, and has over 100 million diabetes patients. To address this significant opportunity, the Company established a subsidiary and a team of 16 direct sales professionals led by a local, seasoned management team. On the 4 March 2024, it was announced that the Indian Government had approved NovoSorb BTM to be included in the Government-e-Marketplace (GeM) portal, which is a centralised procurement platform for Government hospitals, where severe burn patients present. On the 24 July 2024, 2 NovoSorb BTM SKUs were published on the GeM portal, facilitating procurement by all Government hospitals across India. In leading up to this, the sales team made inroads into the private market for smaller wounds such as diabetic foot ulcers. Recognising the immense potential in India, the inclusion of the country in the BARDA pivotal trial is significant. The three trial sites have enrolled 19 patients to date.

Taiwan sales increased by 102.6% as our distributor has expanded its focus from small trauma to other indications including large burns.

Australia & NZ

Sales in full-thickness burns is already well established in ANZ with all hospital burn units having used NovoSorb BTM. Sales growth in FY24 was significant with Australia growing by 38.7% and New Zealand 32.5% due to increasing use in other indications including necrotising fasciitis, pressure ulcers, surgical wounds, trauma wounds, cancer, and scar reconstruction.

NovoSorb MTX was launched last year in New Zealand and the clinical data from use of NovoSorb MTX will be leveraged to support regulatory approvals across the globe.



ESG Statement and Corporate Governance

PolyNovo brings disruptive, innovative, and regenerative medical devices to market which improve the functional and cosmetic outcomes for patients. Our products offer significant health economic benefits to surgeons and global health systems.

NovoSorb BTM has significant health economic benefits compared with the legacy standard of care. It is cost effective, scalable, and robust despite infection. Additionally, NovoSorb BTM treated area are unlikely to require scar revision surgery, reducing the social, economic, physiological, and emotional demands on patients, allowing them to recover to live their best possible lives.

Our Approach to ESG

We strive to improve all aspects of the Company year on year in line with our commercial product development. PolyNovo acknowledges the importance of an integrated and consistent approach to Environmental, Social and Governance (ESG) factors. The Company has utilised internal and external expertise to deliver a holistic, integrated, and robust ESG framework.

Environment

The Company has an important role in protecting the environment and recognises the contribution we can make towards transitioning to a low carbon economy. Our manufacturing process is low emitting, with approximately 560 grams of carbon emitted per batch of NovoSorb BTM.

In May roof top solar systems were installed on top of our Port Melbourne facility. The Company is carbon-neutral certified for its Australian operations for the reporting period FY23.

Significant strides have also been made in reducing carbon emissions associated with our supply chain, including regular use of air freight. In April, the first ever sea freight delivery of NovoSorb BTM was completed, with plans to commence regularly in FY25.

The Company only uses environmentally certified commercial waste disposal providers, with minimal waste produced in our manufacturing process. To further improve our waste management processes, we engaged a specialised third-party consultancy to develop a waste management and reduction plan.

We are committed to reducing our operational waste and water use. Our recycling programs will be further enhanced by the ongoing migration to paperless documentation systems in our business support functions.

PolyNovo's Environment Policy can be found on its website: https://polynovo.com/about-us/

Social

Our People

Our people are the drivers of our success and through their work, enable new opportunities for patients, customers, our community, and shareholders.

The Company recognises the importance of career growth and development. All employees have access to an online learning platform, many employees attend world class conferences specific to their roles, and the Company curates content for sales and professional education. Employees also have a performance planning and development program to support their continued development.

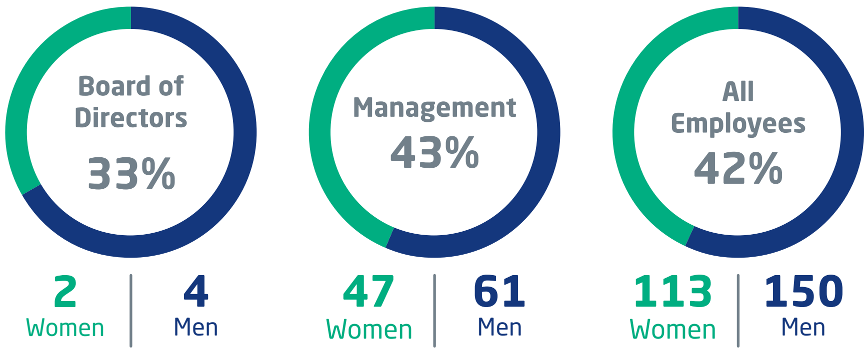
PolyNovo's Diversity Profile

The Company respects and promotes diversity across our entire workforce with one of our values being 'we respect and nurture diversity'. We recognise that a diverse workforce contributes to innovation, change and the long-term growth of our business. Embracing diversity creates value for our customers and shareholders, offering many benefits including being able to attract, retain and motivate employees from the widest pool of available talent.

We monitor our workforce to ensure we maintain a diverse workforce. In FY24 our Diversity Policy was refreshed and updated, with targets set relating to the representation of women in our workforce (see page 20). A gender pay equity analysis was also undertaken. Our Code of Conduct was revised to reflect our vision, mission and values, and commitment to an inclusive workplace.

We celebrate religious and cultural events with our teams with learnings from these informing our international operations. Embracing diversity makes PolyNovo an interesting, exciting, and dynamic workplace where alternative thinking provides us with an innovative edge.

The following graphs and table highlight the proportion of women and men on the Board, in senior management positions as well as all employees across the organisation at 30 June 2024.



Level	Target % of workforce women	Women	Men	Total	Actual (30 June 2024)
Board of Directors	≥30%	2	4	6	33%
Management	≥40%	47	61	108	43%
All Employees	≥40%	113	150	263	42%

Company Diversity Profile

Ages

As displayed below, our multi-generational workforce includes employees ranging in age from Baby Boomer (born 1946–61) to Generation Y (1980-2000). Generation Y form the majority of our workforce.

	% of global workforce
Gen Y (1980-2000)	67%
Gen X (1962-1979)	30%
Baby Boomers (1946-1961)	3%

Ethnicity

The table below displays self-disclosed ethnicity for our U.S. workforce. This information is collected in the U.S. for EEOC reporting purposes.

	% of U.S. workforce
Asian	5%
Black or African American	3%
Hispanic or Latino	10%
Two or More Races	2%
White	74%
Not disclosed	6%

Health & Safety

Safety is central to the responsible operation of our business, and the health and safety of our people is a top priority. We maintain a strong focus on preventing injuries and continuously improving our practices.

Our Health and Safety Policy affirms our aspiration to avoid harm, empower our people to perform their tasks safely and responsibly, and continuously improve our performance.

Over FY24, there was zero (0) lost time injury and zero (0) medical treatment injuries to our employee and contractor workforce. The Company Total Recordable Injury Frequency Rate (TRIFR) is an average of 16 for the year since January 2024.

In FY24, communications efforts relating to health and safety were enhanced, with further improvements planned for FY25. Safety engagement and awareness in the business is strong with regular safety updates, audits, training, and safety campaigns.

PolyNovo's Health and Safety Policy can be found on its website: https://polynovo.com/about-us/

Our Community

We support several charitable and community-based programs whose principles align with the Company, including organisations that advance the lives of those in disadvantaged social situations.

In FY24, product was donated to several conflict zones. The Company supported best practice use of the product by providing surgeon education, supported by A/Prof Marcus Wagstaff. In February, the Company announced its largest single order to date, with A$1.2m of product purchased for use in Ukraine, distributed via Poland.

It is an honour and obligation for our organisation to participate and support programs for the rehabilitation of both the body and mind of patients who have had their lives impacted by tragedy.

We are committed to engaging with research and clinical activities that advance the quality of life for those impacted by burn, trauma, and tissue loss and are proud to have provided NovoSorb BTM at no-cost for surgical applications when surgeons are participating in charitable or out-reach programs.

Interplast

For over 40 years, Interplast has worked in low- and middle-income countries across the Asia Pacific region to provide free reconstructive surgery for patients who may otherwise not be able to afford access to such services, while also supporting the education of local medical personnel. The Company has provided financial support and product donations to Interplast to sustain this important work.

In FY24, the Company provided five scholarships to medical personnel from across the Asia Pacific region, allowing them to attend educational events including the Australian and New Zealand Burns Society Annual Scientific Meeting and the Royal Australasian College of Surgeons Annual Scientific Congress.

NovoSorb BTM was also supplied free of charge to Australian surgeons visiting countries in the Asia Pacific region on an Interplast supported missions.

Bioethics

The Company is committed to upholding best practice bioethics principles and conducts its operations in accordance with the highest standards of bioethics, including in the conduct of clinical trials.

PolyNovo only commissions animal testing where required for regulatory approval. Any necessary animal studies required are conducted externally through specialised providers and institutes, under ethics committee approval. Such studies meet audited Good Laboratory Practice standards and have the appropriate level of oversight in place from health regulators, including the U.S. FDA.

The Company's approach to animal testing and associated ethical considerations are included in the Code of Conduct, available on the Company website: https://polynovo.com/about-us/

Modern Slavery

PolyNovo takes a zero-tolerance approach to any form of human rights abuses, including modern slavery in our operations and supply chains.

In FY24, an all-staff training program was arranged to educate the broader team about this issue and is available to all employees.

In line with the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises, PolyNovo adopts a proactive approach to identifying and mitigating modern slavery risk throughout its operations and supply chains, implementing corrective actions commensurate with the level of risk identified.

The Company's FY23 Modern Slavery Statement can be found on its website: https://polynovo.com/about-us/

Governance

PolyNovo recognises the importance of good corporate governance and the role it plays in ensuring business is conducted honestly, fairly, and legally. PolyNovo is committed to adopting corporate governance policies to achieve the objectives of acting ethically and responsibly, safeguarding the integrity in corporate reporting, making timely and balanced disclosures, and recognising and managing risk.

The Board of PolyNovo reviews its policies and governance practices in reference to the eight Principles of Good Corporate Governance (Principles) established by the ASX Corporate Governance Council. The policies and governance practices in place are listed under Principles of Good Corporate Governance below.

Principle	PolyNovo Policy
1 Lay solid foundations for management and oversight	PolyNovo Board Charter
2 Structure the board to be effective and add value	PolyNovo Board Charter
3 Instil a culture of acting lawfully, ethically, and responsibly	Code of Conduct Whistleblower Policy Diversity Policy Share Trading Policy Environment Policy Modern Slavery Statement
4 Safeguard the integrity of corporate reports	Audit and Risk Committee Charter
5 Make timely and balanced disclosure	Market Disclosure Protocol
6 Respect the rights of security holders	Communications Policy
7 Recognise and manage risk	PolyNovo Risk Management Policy Health and Safety Policy
8 Remunerate fairly and responsibly	Remuneration and Nomination Committee Charter Remuneration Policy

PolyNovo's Corporate Governance Statement and policies can be found on the Company website https://polynovo.com/about-us/.

Directors' Report

The Directors of PolyNovo Limited (PolyNovo, we, the Company) present the Directors' Report, together with the Financial Report, of the Company and its controlled entities (the Group) for the year ended 30 June 2024 and the related Auditor's Report.

Board of Directors and Senior Management

The details of Directors and Senior Management during the year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated. As at the date of this report, all Directors are considered independent.

Mr David Williams

B.Ec (Hons), M.Ec, FAICD

Non-executive Chairman

Mr Williams was appointed as a Non-Executive Director on 28 February 2014 and Chairman on 13 March 2014. Mr Williams is an experienced Director and investment banker with a track record in business development, mergers and acquisitions, and capital raising. He has experience advising ASX-listed companies in the food, medical device, and pharmaceutical sectors. Mr Williams is currently Chairman of RMA Global Ltd (ASX: RMY) and is Managing Director of corporate advisory firm Kidder Williams. Mr Williams is the Chair of the PolyNovo Remuneration Committee.

Dr Robyn Elliott

BSc (Hons) Chemistry, PhD Inorganic Chemistry

Non-executive Director

Dr Elliott was appointed a Director of PolyNovo on 28 October 2019. Until recently, Dr Elliott was – Global Head, Strategic Portfolio Management at CSL Behring, a role that is responsible for governance oversight and business value delivery from a multi-billion-dollar capital expansion portfolio. Dr Elliott previously held Strategic Expansion and Quality Senior Director roles within CSL, was the Managing Director at IDT Australia and commenced her career at DBL Faulding.

Dr Elliott has a proven track record in product development, clinical trials, regulatory affairs, audits, quality management, project management and operational strategy. Her worldwide experience in new facility delivery, production scale up, strategy, regulatory affairs and audit will be invaluable to PolyNovo as the company scales its operations globally. Dr Elliott is a member of the Audit and Risk Committee.

Ms Christine Emmanuel-Donnelly

BSc (Hons) Chemistry, MSc Enterprise, Cert.Int.Prop.Law, MAICD

Non-executive Director

Ms Emmanuel-Donnelly was appointed a Director of PolyNovo on 13 May 2020. Ms Emmanuel-Donnelly is an accomplished IP and business development professional with more than 30 years of local and international experience. Ms Emmanuel-Donnelly has a Bachelor of Science with a major in Economics (Hons: Chem) from Monash University, Certificate in Intellectual Property Law from Queen Mary College, University of London, and Master of Enterprise from Melbourne University. She has been on the Board of the Institute of Patent and Trade Mark Attorneys of Australia for over a decade.

Ms Emmanuel-Donnelly is currently Chairwoman of Impedimed Ltd (ASX: IPD) and on the Board of Medical Developments International Ltd (ASX: MVP). Previously, Ms Emmanuel-Donnelly was Executive Manager of Business Development and Commercial at the CSIRO, was in-house IP Counsel for Unilever in the U.K., and practised as a patent and trade mark attorney for Wilson Gunn (U.K.), Davies Collison Cave and Griffith Hack. Ms Emmanuel-Donnelly is a member of the PolyNovo Remuneration Committee.

Mr Leon Hoare

GradDipBus, AssocDipAppSc (Orth), GAICD

Non-executive Director

Mr Hoare was appointed a Director of PolyNovo on 27 January 2016. He is an accomplished commercial leader with expertise across multiple Life Sciences sectors. He is currently the Managing Director of Lohmann & Rauscher, Australia & New Zealand (ANZ), a private EU based medical device company. Previously he was Managing Director of Smith & Nephew (S&N) ANZ, one of S&N's largest global subsidiaries outside the U.S. He served as President of S&N's Asia-Pacific Advanced Wound Management (AWM) businesses for 5 years and was a member of the Global Executive Management for the AWM Division (as one of three Regional Presidents). In his 24 years with Smith & Nephew, he held roles in marketing, divisional and general management. His career also included a senior role at Bristol-Myers Squibb, and as Vice Chair of the Board of Australia's peak medical device industry body, Medical Technology Association of Australia. He is currently a Non-Executive Director of Medical Developments International Ltd (ASX: MVP). Mr Hoare is a member of the PolyNovo Remuneration Committee.

Mr Andrew Lumsden

MA (Hons) in Accountancy & Finance, CA, AGIA ACG, MAICD

Non-executive Director

Mr Lumsden was appointed a Director of PolyNovo on 4 June 2021. He is an accomplished Chartered Accountant and finance executive with more than 20 years' experience locally and internationally. He holds a Master of Arts in Accountancy and Finance (First Class Hons), is an Associate of The Chartered Governance Institute and a member of the Australian Institute of Company Directors. Mr Lumsden is currently Chief Executive Officer of Wellcom Worldwide Australasia having previously held the roles of Group Chief Financial Officer and Group Chief Operating Officer. Prior to joining Wellcom, Mr Lumsden was a Senior Manager within the Audit and Assurance practice of PricewaterhouseCoopers. Mr Lumsden is the Chair of the Audit and Risk Committee.

Mr Bruce Rathie

B. Comm, LLB, MBA, FIML, FAICD, FGIA

Non-executive Director

Mr Rathie was appointed a Director of PolyNovo on 18 February 2010. He is an experienced Company Director with a finance and legal background. He practised as a partner in a large legal firm and acted as Senior Corporate Counsel to Bell Resources Limited in its early years. He then studied for his MBA in Geneva and embarked on his 15-year investment banking career. When Head of the Industrial Franchise Group at Salomon Smith Barney, he led Salomon's roles in the Federal Government's privatisation of Qantas, Commonwealth Bank (CBA3) and Telstra (T1). He now has over 20 years' experience as a full-time professional Non-executive Director. During the period he was Chairman of Capricorn Mutual Limited, Chairman of ASX listed CleanSpace Holdings Limited (ASX:CSX), Chairman of ASX listed The Market Limited (ASX:MKT) and a Non-executive Director of ASX listed Cettire Limited (ASX:CTT) and Capricorn Society Limited. In the medical device space, Mr Rathie was previously Chair of ASX listed 4DMedical Limited (ASX: 4DX) and Anteo Diagnostics Limited. He was also previously a Director of Compumedics Limited and USCOM Limited. Mr Rathie is a member of the Audit and Risk Committee.

Senior Management

Mr Swami Raote

B Pharmacy, MBA

Chief Executive Officer

Mr Raote was appointed Chief Executive Officer of PolyNovo on 29 July 2022. Mr Raote held the position of Worldwide President, Vision Care from 2017 to 2021, a division of Johnson & Johnson the world's largest medical, pharmaceutical and consumer healthcare company, where Mr Raote had a 30-year career. From 2014 to 2016 Mr Raote served a dual role as the Area Vice President, Medical Devices for North Asia and Vice President for Ethicon, Asia Pacific. From 2009 to 2014 Mr Raote served in a variety of roles across India for Johnson & Johnson including Managing Director for Janssen India and Area Managing Director ASEAN and India. Mr Raote was also President Director in Indonesia from 2004 to 2008. Mr Raote's early career included leadership roles across Johnson & Johnson Asia Pacific in sales, marketing, supply chain, finance, and IT. Mr Raote is currently a Non-executive Director of EOS Vision in China and holds several advisory roles to private and government institutions.

Mr Jan Gielen

CA, Bachelor Bus (Acc)

Chief Financial Officer and Company Secretary

Mr Gielen joined PolyNovo on 12 December 2018. Mr Gielen holds a Bachelor of Business (Accounting) degree from Monash University, is a member of the Institute of Chartered Accountants and commenced his career with Pitcher Partners. Since then, Mr Gielen has held senior finance roles for various businesses across a range of industries such as retail, ICT, logistics (3PL) & medical, locally and internationally. Mr Gielen has extensive experience in CFO and Finance Director roles for fast growing PE and VC backed businesses and played an important part in expanding these businesses globally, both from a financial and operational perspective. Mr Gielen had a long involvement from inception with ICIX, a leading SaaS platform supporting global retailers and manufacturers where he served as Finance Director in Silicon Valley. Mr Gielen's most recent role was CFO of CardioScan for 6 years, Australia's largest cardiac reporting provider, which during his tenure expanded to HK, Singapore & North America.

Mr Lior Harel

BA/LLB

General Counsel and Company Secretary

Mr Harel was appointed General Counsel and Company Secretary on 6 May 2024. Mr. Harel has managed the legal, risk and compliance functions of ASX-listed online, SaaS and healthcare companies, with extensive expertise in mergers and acquisitions, capital markets, corporate finance, and privacy law. Mr. Harel was most recently Commercial Director (Australia) and General Counsel and Company Secretary for Optima Technology Group, an ASX listed Software as a Service company. Prior, Mr. Harel held the positions of General Counsel and Company Secretary at Vitura Heath and Chief Legal Counsel at Seek. He commenced his legal career at Arnold Bloch Leibler, where he worked for 7 years specialising in mergers and acquisitions, and property finance.

Dr Joseph Amaral

FACS

Chief Medical Officer

Dr Joseph F Amaral FACS joined PolyNovo on 2 January 2024 as its Chief Medical Officer. He is internationally recognized as a pioneer in minimally invasive surgery and in the development and commercialization of new surgical technologies. Dr Amaral was instrumental in the development of the Harmonic Scalpel, the first and still leading ultrasonically activated cutting and coagulating surgical device. Most recently he was VP of Medical and Clinical Affairs for HistoSonics, leading their clinical research efforts to FDA approval of a novel transformational image guided robotically controlled technology that uses the cavitation properties of ultrasound to precisely destroy targeted tissue. For the past four years he has also served as the CMO for Venture Investors, a Midwest based VC firm focused on healthcare innovation. Prior to these roles, Dr. Amaral had multiple roles at Johnson and Johnson including VP Medical Devices for the Corporate Office of Science and Technology, VP of Innovation for Ethicon and Chief Scientific Officer of Ethicon Energy. Dr. Amaral is currently a Professor of Surgery (Emeritus) at Brown University School of Medicine, member of 25 professional societies, author of 100+ papers and book chapters and has delivered over 500 national and international presentations.

Ms Ingrid Anderson

MBA (HRM)

Chief People Officer

Ms Ingrid Anderson joined PolyNovo on a full-time basis from 1 May 2024. Ms Anderson holds a Master of Business Administration (International Human Resources Management) and a Bachelor of Humanities from Griffith University. Ms Anderson has extensive global HR experience across various industries including retail, fashion, action sports, manufacturing, and consumer goods. She has held senior HR roles with several ASX listed businesses with global operations including Billabong (now Boardriders) and BWX. She has lived and worked in Australia, Japan, and the U.S. Prior to joining PolyNovo, Ms Anderson was with BWX for 5.5 years as Chief People Officer.

Mr Ed Graubart

BSc

President, North America

Mr Graubart was appointed Senior Vice President, Sales and Marketing, Americas in August 2019 and held that position until 11 March, 2024 when he was promoted to his current role. Mr Graubart has over 35 years of medical device experience and has held various ascending roles and responsibilities at EBI (formerly a Biomet Company), Depuy Spine (a J&J company), and NuVasive, where he had a significant role as a member of the Sales Leadership and Executive teams, supporting accelerated growth from $38M in 2005 to over $800M in 2015. Just prior to joining PolyNovo, Mr. Graubart held executive leadership roles at both Ceterix Orthopedics and Titan Spine, both acquired by S&N and Medtronic respectively.

Senior Management continued

Mr Ahmed Hassan

B Engineering, MBA, GAICD

Director of Operations

Mr Hassan assumed the role of Director of Operations on the 15 March 2022. Mr Hassan's career spans the food and medical device industries, where he has honed his expertise in operations, supply chain management, and performance improvement. His professional career began as a Management Consultant for a global firm, providing strategic and innovative solutions in overseas markets. In 2012, Mr Hassan transitioned to Nestlé, holding multiple positions in operations and supply chain. During his tenure, he was instrumental in expanding operations and optimising supply chain management across various markets as Continuous Improvement Manager. In 2017, Mr Hassan joined Bega Cheese, where he was Head of Performance Improvement for the group until 2021. Following his successful term at Bega Cheese, Mr Hassan managed Australia's supply chain operations for Fonterra from 2021 to 2022.

Dr David McQuillan

BSc (Hons) Biochemistry, PhD Biochemisty

Chief Technical and Scientific Officer

Dr McQuillan was appointed a Non-Executive Director of PolyNovo on 6 August 2012. He resigned as Non-Executive Director and was appointed as Chief Technical and Scientific Officer on 1 September 2022. He has extensive technical, medical, scientific, and regulatory knowledge. Previously he was a Fellow at the NIH (Bethesda, MD), an NH&MRC Fellow at the University of Melbourne, and Associate Professor at Texas A&M University (Houston, TX) where he studied Tissue Engineering, Regenerative Medicine, and Biochemistry of the Extracellular Matrix. Dr McQuillan was with LifeCell Inc/Kinetic Concepts Inc (KCI) for 12 years, holding a number of senior roles, including Vice President for Research and Development at LifeCell and Senior Vice President of Advanced Research and Technology at KCI. He was Chief Science Officer for TELA Bio, a VC-funded development-stage biotechnology company from 2013 to 2015.

Mr David Morris

BBus, BAppSc, GAICD

President Asia Pacific

Mr David Morris joined PolyNovo on 2 April 2024. Mr Morris has more than 30 years of executive leadership, international business development, business transformation and strategy experience. Prior to joining PolyNovo, Mr Morris was Chief Strategy Officer and President of Asia Pacific at Nanosonics Limited, Chief Executive Officer and Managing Director at the Monash IVF Group, and Chief Strategy Officer and President of Bone Anchored Solutions at Cochlear Limited. Prior to joining Cochlear Limited, Mr Morris worked at Accenture in their Strategy practice.

Dr Aurore Mulkens

Dip Pharmacy, PhD (Pharmaceutical Sciences)

Vice President, Quality Affairs

Dr Aurore Mulkens joined PolyNovo on a full-time basis from 23 August 2023. Dr Mulkens holds a Dip Pharmacy and a PhD in Pharmaceutical Science and has over two decades experience in the medical device and pharmaceutical industries. Dr Mulkens first joined PolyNovo in 2017 as Quality Assurance Manager following positions in the clinical trials and pharmaceutical space across Europe. In 2019, she was promoted to the position of Director of Quality Assurance, managing Quality Assurance, Quality Control and Medical and Scientific Affairs. Between 2021 and 2023, Dr Mulkens supported PolyNovo's quality systems and framework as an external consultant.

Mr Philip Scorgie

Master, Bus Inf Tech

Chief Information Officer

Mr Scorgie joined PolyNovo Limited as Chief Information Officer on the 22 May 2023. Mr Scorgie holds a Master's degree in Business Information Technology from Swinburne University and is a Non-executive Director of Wallara, a disability service provider that focuses on empowering individuals with different abilities. Mr Scorgie held the position of Global Chief Information Officer in Chicago at the top 20 global law firm, Mayer Brown from 2012 – 2016. Before working for PolyNovo Limited Mr Scorgie was an independent consultant involved in strategic technology consulting, providing valuable guidance to diverse businesses ranging from local manufacturing companies to international banking and commercial law firms. Mr Scorgie has extensive experience in a wide range of technology industries across the globe including Germany, South Africa and Hong Kong. Mr Scorgie was the Regional Chief Information Officer at Deacons in Hong Kong from 1997 to 2005

Review of Operations

Corporate and Organisational Structure

PolyNovo Limited (**PolyNovo**, **Company** or **we**), the ultimate parent entity of the PolyNovo Group, is a public company listed on the Australian Securities Exchange. As of 30 June 2024, PolyNovo had ten wholly owned subsidiaries: PolyNovo Biomaterials Pty Limited, NovoSkin Pty Ltd, NovoWound Pty Ltd, PolyNovo NZ Ltd, PolyNovo UK Ltd, PolyNovo North America LLC (PNA LLC) PolyNovo Singapore Private Ltd, PolyNovo Ireland Ltd, PolyNovo Biomaterials India Private Ltd, and PolyNovo Hong Kong Ltd. The first three subsidiary companies listed above are Australian proprietary companies whilst the other entities are the trading and employment entities for those countries.

Principal Activities and Operations

PolyNovo's principal activity is the development of innovative medical devices for medical applications, utilising the patented bioabsorbable polymer technology NovoSorb. NovoSorb is a family of proprietary medical grade polymers that can be utilised to manufacture novel medical devices designed to support tissue repair. NovoSorb has significant advantages over competitor bioabsorbable polymers in terms of design flexibility, bioabsorption, and biocompatibility. NovoSorb polymer devices can be expressed in a variety of physical formats including films, foam, coatings, fibres, plastic structures, and biologic carriers.

NovoSorb is currently covered by numerous patents in the field of biodegradable polymers, all fully owned by PolyNovo. Below is a summary of PolyNovo's products and research and development activities. Other NovoSorb product development activities include: particulate forms for irregular wound sites, antimicrobial variants to reduce the probability of infection, superficial burns products and, synthetic allograft products.

NovoSorb BTM

NovoSorb Biodegradable Temporising Matrix (BTM) is a dermal scaffold for the regeneration of the dermis when lost through extensive surgery, trauma or burn. With the NovoSorb BTM scaffold in place, the dermal layer is regenerated and once fully integrated, the wound closes through secondary intention or with the application of a skin graft.

NovoSorb BTM is sold directly by PolyNovo in Australia, Hong Kong, India, Ireland, New Zealand, Singapore, United Kingdom, and the United States. The Company utilises distributors for sales in Canada, Europe, Taiwan, and South Africa. Regulatory approvals for other markets are in progress to continue to expand our geographical footprint.

Independent clinical evidence supporting the use of NovoSorb BTM continues to grow, with 280+ articles and abstracts published to date.

The Company is currently working on expanding the NovoSorb BTM product range, to include larger sizes and thicker and thinner versions to address further clinical applications not covered by current offerings.

U.S. Pivotal Trial Funded by Biomedical Advanced Research and Development Authority (BARDA)

A U.S. Food and Drug Administration (FDA) regulatory indication for full thickness burn injuries requires additional clinical evidence. The NovoSorb BTM pivotal trial, supported by BARDA, is gathering data on the safety and effectiveness of NovoSorb BTM in treating full thickness burns. Successful completion of this trial will enable the Company to file a PMA application for use in full thickness burns.

NovoSorb BTM is indicated for full thickness burns in many markets outside of the United States and has the CE Mark for the EU market, which includes an indication for use in full thickness burns as well as other surgical wounds and reconstructive procedures.

The BARDA contract, funded by the U.S. Department of Health and Human Services (Office of the Assistant Secretary for Preparedness and Response), commenced on 28 September 2015. After extending the contract in FY21, BARDA increased its funding commitment in Q2 FY24 to US$25 million.

Patients are currently being recruited through 24 U.S. burn centres, and 3 sites in India. The Company is close to meeting the final enrolment target and 120 patients have been enrolled. The contract is a cost-plus monthly reimbursement arrangement. PolyNovo continue to contribute to the trial through provision of product, employee resources and infrastructure support.

Chronic Wound Study

This randomised controlled study compares the use of NovoSorb BTM combined with negative pressure wound therapy (NPWT) to the usual standard of care in neuroischemic diabetic foot wounds. The study will assess rates and time to complete wound healing and rates of post-surgical infection, perioperative complications, and proximal lower limb amputations. In addition, the impact of NovoSorb BTM will be explored on a range of factors including cellular proliferation and neo-angiogenesis that are known to affect wound healing, as well as quality of life and health economics.

The focus of this study is patients with moderate to high risk of amputation. 58 out of a total 64 patients have been recruited and recruitment is expected to be complete in late 2024. Data from the trial will provide additional clinical evidence for its broader use in patients with diabetic foot wounds complicated by vascular insufficiency.

Regulatory Update for NovoSorb BTM

- EU MDR and UK UKCA registrations for NovoSorb BTM were issued in 2024.
- Registrations in Bolivia, Ecuador, Thailand, and Sri Lanka were obtained.
- New registrations for NovoSorb BTM are currently underway in Hong Kong, Mexico, and Egypt.
- The Company initiated plans to enter Japan, one of the largest medical device markets, in CY25.

NovoSorb MTX

NovoSorb MTX has broad applicability for single stage grafting in burns, chronic, and surgical wounds, providing increased treatment pathways and better outcomes. NovoSorb MTX and BTM are complementary, and clinicians use both products for the treatment of soft tissue defects.

The Company announced on 19 September 2022 it had received FDA 510(k) clearance for NovoSorb® MTX with a 2mm thickness and a U.S. limited market release commenced in April 2023. A full market launch campaign was initiated in June 2024 and initial sales have been promising.

The total addressable U.S. market comprising in and out-patient settings is estimated at A$500 million. Additional 510(k) submissions to further support the NovoSorb MTX range are scheduled to be submitted to the FDA in 2024.

Hernia Repair

The Company has focused its approach to hernia repair and is developing targeted solutions for ventral hernia and complex abdominal wall reconstruction. These products, branded under the NovoSorb SynTrel umbrella, comprise a novel NovoSorb-based textile that will expand the clinical application of our patented technology. Simple hernia mesh is in development, with plans to begin the regulatory process in 12 to 18 months.

Plastics and Reconstructive Device Products

The Plastic and Reconstructive device product program will leverage the experience and processes developed for hernia devices and will be branded under the NovoSorb SynTrix platform. The hernia product development models serve as effective building blocks for other tissue reinforcement products in breast, orthopaedics, and other applications. We anticipate that manufacturing processes, technology and equipment will be shared across a range of new products.

NovoSorb Dermal Beta-Cell Implant

The Company continues to supply NovoSorb BTM in modified sizes to Beta Cell Technologies (BCT), an Adelaide based, third-party R&D group. BCT have identified an opportunity to design, develop and implement a novel Intracutaneous Ectopic Pancreas (EIP) to treat Type 1 Diabetes (T1D) at scale. BCT has completed its first human trial (3 patient trial using NovoSorb BTM and donor islet cells) in delivering a novel IEP and early results are promising with full trial results being published late in 2024. If successful, this treatment holds significant promise for treating T1D with reduces reliance on a donor pancreas.

Status of Markets

The Company achieved 54.5% in sales growth for FY24 including a $9.2m sales month in April 2024 followed by $9.8m in May 2024.

The Company recorded strong NovoSorb BTM sales growth in all markets, notably in the U.S. up 49.0% in AUD (45.6% in USD) and ROW up 73.3% ($AUD). The ROW increase includes strong performances in Australia (up 38.7%), U.K./Ireland (up 81.5%), Germany (up 81.2%), and Hong Kong (up 107.2%).

Inflation and rising interest rates have increased some costs in all markets including wages and salaries. The Company debt level remains low with an equipment finance facility owing $1,815,000 and a short-term loan facility for insurance premiums owing $815,000 as at 30 June 2024. The Company maximises interest earned on cash deposits via high interest term deposits while managing the cash requirements for capital expenditure and operational requirements. To manage the impact of higher inflation and interest costs we update our cash flow forecasts to include the impact of changes in costs. The Group has a level of discretion in managing cash outflows in response to changes in the impact of rising costs.

Significant Changes in the State of Affairs

Other than the above and except as otherwise set out in this report, the Directors are unaware of any significant changes in the principal activities of the Company during the year ended 30 June 2024.

Strategic Overview and Likely Developments

The Company's focus over the next 12 months will be:

- Expand product range of NovoSorb BTM and NovoSorb MTX to include additional sizes and thicknesses.
- Commence Japanese market registration.
- Identify potential partners in China.
- Identify potential partners for indication expansion in hernia and plastic and reconstructive devices.
- Initiate regulatory processes for simple hernia and soft tissue reinforcement devices.
- Complete U.S. BARDA pivotal trial for full thickness burns.
- Sign additional GPO/IDN agreements in the U.S. to further accelerate sales.
- Support BetaCell with the supply of NovoSorb BTM for use as a dermal deposit for Type 1 diabetes.
- Start building works on a third manufacturing facility at 326 Lorimer Street Port Melbourne, with an estimated operational date in December 2025.

Significant Events After the Balance Date

The Directors are not aware of any other matters or circumstances since the end of the financial year other than those described above, nor otherwise dealt with in this report, which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Financial Results

PolyNovo Limited reported revenue for the year ended 30 June 2024 of $104,763,000, an increase of $38,228,000 from the prior year's $66,535,000. The net profit after tax (NPAT) of $5,261,000 for FY24 was an increase of $10,185,000 from the prior year's net loss of $4,924,000. Earnings before interest, tax, depreciation, and amortisation (EBITDA) of $3,635,000 was an increase of $6,441,000 from prior years EBITDA loss of $2,806,000. Several factors contributed to the result as follows:

- Revenue from the sale of commercial products for FY24 increased by 54.5% to $92,042,000 from the prior year's $59,578,000.
- Revenue from BARDA for FY24 increased by 96.9% to $11,150,000 from the prior year's $5,663,000. This increase is reflective of the patient enrolment in the pivotal trial which is currently at 120 patients.
- Other Income includes interest income of $1,535,000 and $36,000 from Victorian State Government supporting our manufacturing development and commercialisation of new products.
- Employee related expenses increased by 50.7% to $59,433,000. This increase is due to headcount increase to drive and support growth primarily within sales, marketing, production, research and development, and quality.
- Research and development expenses increased by 47.1% to $10,929,000 due to increased activity in research and commercialisation of new products.
- Depreciation and amortisation increased by $158,000 attributable to property, plant and equipment acquired for the manufacturing facility and research and development.
- Corporate, administrative, and overhead expenses increased by 39.5% to $24,295,000 reflecting the increased growth and activity in the business.

R&D Tax Incentives

During the 2024 financial year, the Company received a non-refundable tax offset of $1,178,000 (non-cash) in relation to the FY23 R&D tax incentive scheme. As the Company has exceeded the $20.0 million R&D cash tax threshold being the maximum revenue allowable for the claiming of a cash refund, a deduction is recognised against taxable income.

Closing Share Price

Date	$
30 June 2019	1.54
30 June 2020	2.54
30 June 2021	2.82
30 June 2022	1.35
30 June 2023	1.55
30 June 2024	2.45

Profit Per Share

In Australian dollars	$
Basic earnings per share – cents	0.76
Diluted earnings per share	0.75

As at 30 June 2024, there are 10,150,000 unvested share options issued and nil performance rights.

Dividends

No amounts have been recommended by the Directors to be paid by way of dividend during the current financial year. No cash dividends have been paid or declared by PolyNovo since the beginning of the financial year.

Indemnification and Insurance of Directors and Officers

During the year ended 30 June 2024, the Company indemnified its Directors, Company Secretary and Executive Officers in respect of any acts or omissions giving rise to a liability to another person (other than the Company or a related party) unless the liability arose out of conduct involving a lack of good faith. In addition, the Company indemnified the Directors and the Company Secretary against any liability incurred by them in their capacity as Directors or Company Secretary in successfully defending civil or criminal proceedings in relation to the Company. No monetary restriction was placed on this indemnity.

The Company has insured its Directors, Company Secretary and Executive Officers for the period under review. Under the Company's Directors' and Officers' Liability Insurance Policy, the Company shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium.

Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

Indemnification of Auditors

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

Board and Committee Meetings

Details of the number of meetings of the Board of Directors and Board committees, and Directors' attendance at those meetings, during the year under review are set out in the table below.

		Full Board		Audit and Risk Committee		Remuneration Committee	
Directors	**Role**	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**	**Meetings eligible to attend**
Total numbers of meetings held		**12**		**4**		**7**	
Mr David Williams*	Non-Executive Director	12	12	–	–	7	7
Dr Robyn Elliott	Non-Executive Director	12	12	4	4		
Ms Christine Emmanuel-Donnelly	Non-Executive Director	12	12	–	–	7	7
Mr Leon Hoare	Non-Executive Director	12	12	–	–	6	7
Mr Brue Rathie	Non-Executive Director	12	12	4	4	–	–
Mr Andrew Lumsden**	Non-Executive Director	11	12	4	4	–	–

* Mr David Williams is Chair of the Remuneration Committee.

** Mr Andrew Lumsden is Chair of the Audit and Risk Committee.

Business Risks

There are inherent risks associated with the development of pharmaceutical and medical products to a marketable stage. The clinical trial process is designed to assess the safety and efficacy of a drug or medical device prior to commercialisation and a significant proportion of drugs and medical devices fail one or both criteria.

The Company has a robust risk management framework, employing mitigation strategies appropriate to the Company size, in line with our commercial product development. A summary of key risks applicable to the Company, and accompanying mitigation strategies are captured below.

Risk	Description	Mitigation
Concentration of manufacturing	Company products are currently manufactured on one site, and supply of the products may be significantly disrupted (or may cease altogether) by that site becoming inoperative. Any new manufacturing facilities require regulatory approval for products to be saleable, and such approval may take significant time to obtain.	The Company will shortly commence construction of a third manufacturing facility next door to the existing facilities. A business continuity plan has been implemented for manufacturing and the Company maintains business interruption insurance. Additional manufacturing sites in different jurisdictions may be considered over the coming years. The Company maintains finished products in multiple offsite warehouses, both in Australia and overseas.
Product innovation	Increased competition exposes the Company to the risk of losing market share. This risk may be exacerbated by a failure to produce innovative products and services beyond the current core offering. The Company is also exposed to the risk that our products are superseded by medical advancements, resulting in alternative products or treatments being commercialised.	The Company strategically reviews product development plans considering market dynamics, the competitive landscape, and technological advancements. The product roadmap is constantly evolving, supported by a dedicated Research and Development team committed to fostering new and innovative uses for our products.
Intellectual Property	The Company is exposed to the risk that proprietary know-how may be compromised through the hacking of systems, or by employees who may acquire (and subsequently disclose) our confidential information through illegal means. Proprietary know-how is also at risk of being accessed by competitors who may use this information to create competitive products.	Confidentiality agreements are in place with staff and third parties with access to our know-how. Access to key systems is limited by business need, and access by individuals is monitored. The Company has an increasing and evolving patent and trade mark portfolio and has access to external legal counsel to advise on how best to manage litigation should it arise.
Reliance on suppliers	Reliance on suppliers for key materials and services carries inherent risk of delay and disruption. Having to source alternative materials or sources may be costly, time-consuming, or commercially unviable.	The Company works closely with suppliers to mitigate potential interruption or delay to supplies. In addition, purchase quantities of inventory are managed to avoid short-term impacts. The Company is seeking to diversify our range of product suppliers.
Product liability	As the developer, manufacturer, marketer and distributor, any failure in product quality might lead to injury, litigation, liability, recall and reputational harm.	A focus on quality throughout the design, testing, manufacture and post-market monitoring of our products ensures high standards of product safety and efficacy. Effective collaboration with clinicians aligns clinical processes and technology with evidence-based practices. We also maintain product liability insurance.
Legal and Regulatory	The Company is subject to a wide range of legal and regulatory requirements in relation to our products, their sale, health and safety, employment, and corporate regulation. Failure to comply with any legal and regulatory requirements could negatively impact our operations, customers, employees, and shareholders.	Risk exposure is mitigated via internal systems, processes, and monitoring. The Company has dedicated teams across Quality Assurance, Regulatory Affairs, Medical Liaison and Legal & Compliance which support the business in the provision of advice on, and monitoring of, legal, regulatory and policy changes. Company compliance frameworks are evolving to support the changing nature and complexity of our compliance obligations.

Forward-looking Statements

Certain statements in this Annual Report may contain forward-looking statements regarding the Company's business and the therapeutic and commercial potential of its technologies and products in development. Any statement describing the Company's goals, expectations, intentions, or beliefs is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those risks or uncertainties inherent in the process of discovering, developing and commercialising drugs and medical devices that can be proven to be safe and effective for use in humans, and in the endeavour of building a business around such products and services. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. Actual results could differ materially from those discussed in this Annual Report. As a result, readers of this report are cautioned not to rely on forward-looking statements.

Directors' Shareholdings and Declared Interests

As at 30 June 2024, the Directors of PolyNovo collectively hold 26,272,394 shares in the Company. As at the date of this report the interests of the Directors in the Company's shares are:

As at 30 June 2024 and as at the date of this report, no Director has an interest in any contract or proposed contract with PolyNovo other than disclosed below. Further details of the equity interests of Directors can be found in the Remuneration Report.

Auditor

Ernst & Young (EY) continues in office in accordance with section 327b (2) of the Corporations Act 2001. Non-audit Services During the year ended 30 June 2024, the amount received, or due and receivable for non-audit services provided by the Company's auditor EY are shown below. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Non-audit services	$
Taxation services and company secretary services	294,127

The auditor has provided a written declaration that no professional engagement for the Group has been carried out during the financial year that would impair Ernst & Young's independence as auditor. The declaration is set out on Page 43.

Directors	Shares held directly	Shares held indirectly
Mr David Williams	–	21,421,385
Mr Bruce Rathie	–	3,250,000
Mr Leon Hoare	–	1,180,220
Dr Robyn Elliott	74,789	–
Ms Christine Emmanuel-Donnelly	–	270,789
Mr Andrew Lumsden	–	150,000
Total	**74,789**	**26,272,394**

Remuneration Report – Audited

The Directors of PolyNovo present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and its controlled entities (the Group) for the year ended 30 June 2024. This Remuneration Report is audited and outlines remuneration arrangements for the CEO and KMP and fees paid to the Board of Directors. Our approach to remuneration is framed by the strategic direction and operational demands of the business, the international context in which we operate, sustainable shareholder returns, the regulatory environment and high standards of governance.

Outlined below is a summary of executive appointments, remuneration outcomes for our KMP and Directors along with details of work currently underway in relation to our 2024-25 remuneration framework.

Executives, Key Management Personnel & Board of Directors

Newly Appointed Executives (Non KMP)

To support our growth, several new executive roles were appointed in 2023-24 including:

- Dr Joseph Amaral, Chief Medical Officer (part-time) (commenced 2 January 2024);
- Ms Ingrid Anderson, Chief People Officer (commenced 5 February 2024);
- Mr David Morris, President, Asia Pacific (commenced 2 April 2024); and
- Mr Lior Harel, General Counsel & Company Secretary (commenced 6 May 2024).

Further, Mr Edward Graubart was promoted to President, North America effective 11 March, 2024.

KMP

- Mr Swami Raote, Chief Executive Officer;
- Mr Jan Gielen, Chief Financial Officer;
- Dr David McQuillan, Chief Scientific Officer; and
- Mr Philip Scorgie, Chief Information Officer

While Dr David McQuillan and Mr Philip Scorgie remain employed as Chief Scientific Officer and Chief Information Officer respectively, the expansion and support of a broader executive team has resulted in their roles no longer being classified as KMP effective 1 March 2024.

We are confident that PolyNovo now has a complete and highly experienced executive team well positioned to drive global growth.

There were no personnel changes to our Board of Directors during the 2023-24 financial year.

FY24 Remuneration

As a result of FY24 Company and individual performance, Short-Term Incentive (STI) payments will be made to KMP. Details of these payments can be found on page 36. 50% of the STI payment to Mr Swami Raote will be deferred into equity for a period of 12 months.

KMP base salary adjustments effective from 1 July 2023 ranged from 3% to 7% in an effort to align remuneration with market.

No equity awards were granted to KMP during the year and no awards were exercised.

FY25 Remuneration

With the support of the newly appointed Chief People Officer, the Remuneration Committee undertook a comprehensive review of PolyNovo's remuneration policies and practices and subsequently developed an executive Remuneration Policy. This policy has underpinned significant work on both fixed and variable rewards in preparation for FY25.

In summary, all key roles have recently been benchmarked against industry specific market data to support decisions on appropriate remuneration levels for FY25, Plan Terms and KPIs have been refreshed for the FY25 Short-Term Incentive (STI) plan and design of a new Long-Term Incentive (LTI) Plan is underway.

Lastly, Board fees were also benchmarked against peer data.

We are confident that the various improvements we are making to our remuneration practices will support the motivation and retention of top talent while creating alignment between executive remuneration, sustainable business performance and shareholder returns.

1. Key Management Personnel

Key Management Personnel (KMP) are those persons who are responsible for planning, directing and controlling the activities of the Group. For FY24, the KMP comprised the Non-executive Directors, the CEO and the Executives whose details are set out below.

1.1 Non-executive Directors

- Mr David Williams – Non-executive Chair and Chair of the Remuneration & Nomination Committee
- Mr Andrew Lumsden – Non-executive Director and Chair of the Audit & Risk Committee
- Dr Robyn Elliott – Non-executive Director
- Ms Christine Emmanuel-Donnelly – Non-executive Director
- Mr Leon Hoare – Non-executive Director
- Mr Bruce Rathie – Non-executive Director

1.2 Executives – KMP

- Mr Swami Raote – Chief Executive Officer
- Mr Jan Gielen – Chief Financial Officer
- Dr David McQuillan – Chief Scientific Officer (ceased as a KMP from 1 March 2024)
- Mr Philip Scorgie – Chief Information Officer (ceased as a KMP from 1 March 2024)

2. Remuneration Strategy

Our remuneration strategy operates by linking achievement of strategic priorities with market-based reward. The link between performance and reward aims to deliver long-term value to shareholders while attracting, motivating and retaining talented people. Our remuneration strategy and resulting remuneration policy, is underpinned by key remuneration principles.

Attract, Motivate and Retain Talent	Support the Execution of Business Strategy	Alignment with Business Performance and Sustainable Shareholder Return	Fairness, Equity and Consistency
PolyNovo operates in global and local markets where it competes for a limited pool of talent. In order to attract, motivate and retain high calibre people PolyNovo aims to provide a market competitive reward opportunity which encourages retention and high performance.	Apply performance metrics that support PolyNovo's strategic objectives and business performance expectations. Apply performance metrics that are explicitly defined, valid and verifiable and relevant to the employee's role in the Company.	Create alignment between executive remuneration, sustainable business performance and shareholder returns, including through long-term equity-based incentive plans.	Structure remuneration arrangements to achieve equity for like positions. Implement a robust remuneration decision making process and performance review system.

2.1 Executive Remuneration Framework

Total Fixed Remuneration (TFR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
TFR consists of Base Salary and Superannuation (Australian-based KMP) or 401K (USA -based KMP) and aims to attract, motivate and retain the best talent. TFR is set in relation to the external market and takes into account size and complexity of the role along with individual responsibilities, experience and skills.	Annual cash payment which aims to reward current year performance. For the CEO, 50% of STI is awarded as equity which is deferred for one year. STI provides appropriate differentiation of pay for performance and is based on business and individual performance outcomes. STI is measured via performance against financial objectives (EBITDA and Revenue) (80%) and personal objectives (20%). Refer to page 37 for STI outcomes. The CEO can receive up to 50% of his annual gross base salary as STI, for other KMP the STI potential ranges from 15% to 20%.	While design of a new LTI Plan is underway, the current Plan consists of a grant of options upon appointment with certain performance and tenure-based conditions attached (refer to page 37-39 for more details). 60% of the shares issued as a consequence of the exercise of vested options are held in escrow for 12 months. If a participant ceases employment, any unexercised options are forfeited and shares subject to escrow may be released at the discretion of the Board.

Remuneration Report - Audited (CONTINUED)

2.2 Group Performance

The table below outlines key five-year performance metrics. Our remuneration framework is designed to demonstrate the link between performance and reward.

Measure	FY2024	FY2023	FY2022	FY2021	FY2020
Share price at year end ($)	2.450	1.545	1.355	2.820	2.540
Dividend paid	–	–	–	–	–
EBIT ($'000)	2,432	(4,219)	(836)	(4,229)	(4,028)
Operating revenue ($'000)	104,763	66,536	41,891	29,339	22,229
Earnings/(loss) per share	0.76 cents	(0.72) cents	(0.18) cents	(0.69) cents	(0.63) cents

3. 2023-24 Remuneration Outcomes

This section provides a summary of the FY24 remuneration and performance outcomes and actual remuneration earned for our KMP. This includes STI outcomes.

3.1 Performance of Executives and Remuneration Received (Non-IFRS disclosure)

The table below presents the remuneration paid to, or vested for, Executives in FY23/FY24.

Executive KMP	30 June 2024 $	30 June 2023 $
Mr Swami Raote		
Total fixed remuneration	731,832	622,054
Cash STI	159,028	–
Equity STI	159,028	–
Mr Jan Gielen		
Total fixed remuneration	287,100	268,738
Cash STI	51,484	12,400
Equity STI	–	–
Dr David McQuillan[1]		
Total fixed remuneration	232,075	299,863
Cash STI	33,113	40,982
Equity STI	–	–
Mr. Philip Scorgie[1]		
Total fixed remuneration	167,406	28,523
Cash STI	20,360	–
Equity STI	–	–

1. Amount is as at the date they ceased to be KMP.

Individual remuneration outcomes for the Group's KMP in accordance with the Accounting Standards are provided on page 40.

3.2 Total Fixed Remuneration

Executive KMP total fixed remuneration is based on the incumbent's qualifications, skills and experience, performance in their role, business criticality and market demand. TFR is reviewed annually or upon promotion and positioning is benchmarked based on the 50th percentile of a market comparator group, made up of broadly comparable companies.

Fixed remuneration for KMP increased during the year to reflect market. Mr Swami Raote's gross annual base salary increased by 3% to US$463,500. Mr Jan Gielen's gross annual base salary increased by 4% to $257,420 and Dr David McQuillan's gross annual base salary increased by 7% to US$230,050. Mr Philip Scorgie was not eligible for an annual salary review.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is approved by shareholders. This limit has been set at $850,000.

Total Non-executive Directors' fees (including superannuation) for the year ended 30 June 2024 were $615,021 (2023: $635,188).

3.3 KMP Performance Against 2023-24 STI Measures

2023-24 Company Financial KPIs comprise 80% of the total award that can be achieved and Personal KPIs comprise 20%. FY24 KMP STI achievement is detailed in the table below.

KMP	% STI Potential achieved
Mr Swami Raote	90%
Mr Jan Gielen	100%
Dr David McQuillan	100%
Mr Philip Scorgie	90%

3.4 Performance Against LTI Conditions

No options were exercised during the 2023-24 financial year. Refer to page 41 for more information.

4. Service Contracts

Details of contractual arrangements for KMPs are set out in the table below. Non-Executive Directors enter into a service agreement with the Group in the form of a letter of appointment, which summarises the Board policies and terms, including fees.

Contract Term	CEO	CFO	CSO	CIO
Contract Type	Ongoing	Ongoing	Ongoing	Ongoing
Notice Period	90 days (by the Executive and Company	3 months (by the Executive and Company)	1 month (by the Executive and Company	3 months (by the Executive and Company

5. Long Term Incentives

5.1 CEO Incentives

On 29 July 2022, PolyNovo granted 5 million shares options in five equal tranches to CEO. Details of the five tranches are set out below.

The vesting hurdle for the options is linked to CEO's length of employment and the PolyNovo volume weighted average market price. The vesting hurdles applied to all 5 tranches are as follows and options only vest when both exercise conditions have been satisfied:

Details of the vesting hurdle for the five tranches are as follows:

- Tranche 1: – One Million (1,000,000) Options cannot vest or be exercised until after the one (1) year anniversary of the commencement of employment and until such time as shares in PolyNovo have been trading 30 continuous days at 50% greater than the exercise price or above; This Tranche of options must vest before the three (3) year anniversary of the CEO's employment start date otherwise they expire at that date.
- Tranche 2: One Million (1,000,000) Options cannot vest or be exercised until after the two (2) year anniversary of the commencement of employment and until such time as shares in PolyNovo have been trading 30 continuous days at 75% greater than the exercise price or above. This Tranche of options must vest before the four (4) year anniversary of the CEO's employment start date otherwise they expire at that date.
- Tranche 3: One Million (1,000,000) Options cannot vest or be exercised until after the three (3) year anniversary of the commencement of employment and until such time as shares in PolyNovo have been trading 30 continuous days at 100% greater than the exercise price or above; This Tranche of options must vest before the five (5) year anniversary of the CEO's employment start date otherwise they expire at that date.
- Tranche 4: One Million (1,000,000) Options cannot vest or be exercised until after the four (4) year anniversary of the commencement of employment and until such time as shares in PolyNovo have been trading 30 continuous days at 150% greater than the exercise price or above. This Tranche of options must vest before the six (6) year anniversary of the CEO's employment start date otherwise they expire at that date.; and
- Tranche 5: One Million (1,000,000) Options cannot vest or be exercised until after the five (5) year anniversary of the commencement of employment and until such time as shares in PolyNovo have been trading 30 continuous days at 200% greater than the exercise price or above. This Tranche of options must vest before the seven (7) year anniversary of the CEO's employment start date otherwise they expire at that date.

The exercise price is $1.64 per option tranche.

Sixty percent (60%) of the shares issued on the exercise of options will be restricted shares subject to rule 9 of the Employee Option Plan until the first anniversary of the date of issue of the shares. Shares issued will be in escrow for twelve months and until that time will be unable to be dealt with.

Accumulated share options expense recognised during the year ended 30 June 2024 was $780,297. Details of the options package are included in the Tables A, B, C and D below.

5.2 CFO Incentives

On 6 March 2019, PolyNovo issued an options package comprising three tranches totaling 1,000,000 options to the CFO, Mr Jan Gielen. Details of the three tranches are set out below.

The vesting hurdle for the options is linked to Mr Jan Gielen's length of employment and the PolyNovo volume weighted average market price. The vesting hurdles are as follows:

- First hurdle – 12 months of employment with the Company; and
- Second hurdle – a share price of 90 cents must be sustained over a period of at least continuous 3 months.

Once vested, the options can be exercised in three tranches as follows:

- Tranche 1: 300,000 options – not to be exercised before 31 December 2020 and not later than 30 June 2021;
- Tranche 2: 300,000 options – not to be exercised before 31 December 2021 and not later than 30 June 2022; and
- Tranche 3: 400,000 options – not to be exercised before 31 December 2022 and not later than 30 June 2023.

The exercise price is $0.60 per option tranche.

All shares issued under the incentive scheme are escrowed for a period of 12 months from date of issue. Sixty percent (60%) of the shares issued on the exercise of options are restricted shares subject to rule 9 of the Employee Option Plan for a period of 12 months from the date of issue.

Tranche 1 was exercised on 26 February 2021. Tranche 2 was exercised on 21 January 2022. Tranche 3 was exercised on 16 February 2023.

The fair value of the option expense in the period was $nil, as the option expense fully incurred as at 30 June 2020.

5.3 CSO Incentives

On 2 September 2022, PolyNovo issued an options package comprising three tranches totalling 1,200,000 options to the CSO. Details of the three tranches are set out below.

The vesting hurdle for the options is linked to CSO's length of employment and the PolyNovo volume weighted average market price. The vesting hurdles are as follows:

- First hurdle – 6 months of employment with the Company; and
- Second hurdle – shares in PolyNovo have been trading at all times at or above 150% of the exercise price for a continuous three months period.

Once vested, the options can be exercised in three tranches as follows:

- Tranche 1: 400,000 options – not to be exercised until 6 months of employment and not later than 30 May 2025;
- Tranche 2: 400,000 options – not to be exercised until 18 months of employment which is the applicable service period and not later than 30 May 2025; and
- Tranche 3: 400,000 options – not to be exercised until 24 months of employment which is the applicable service period and not later than 30 May 2026.

The exercise price is $1.81 per option tranche.

Sixty percent (60%) of the shares issued on the exercise of options will be restricted shares subject to rule 9 of the Employee Option Plan until the first anniversary of the date of issue of the shares. Shares issued will be in escrow for twelve months and until that time will be unable to be dealt with.

Accumulated share rewards expense recognised during the year ended 30 June 2024 was $146,247. Details of the options package are included in the Tables A, B and C below.

5.4 CIO Incentives

On 22 May 2023, PolyNovo issued an options package comprising three tranches totaling 500,000 options to the CIO. Details of the three tranches are set out below.

The vesting hurdle for the options is linked to CIO's length of employment and the PolyNovo volume weighted average market price. The vesting hurdles are as follows:

- First hurdle – 12 months of employment with the Company; and
- Second hurdle – shares in PolyNovo have been trading at all times at or above 150% of the exercise price for a continuous three months period.

Once vested, the options can be exercised in three tranches as follows:

- Tranche 1: 150,000 options – not to be exercised until 12 months of employment and not later than 31 May 2028;
- Tranche 2: 150,000 options – not to be exercised until 24 months of employment which is the applicable service period and not later than 31 May 2028;
- Tranche 3: 200,000 options – not to be exercised until 36 months of employment which is the applicable service period and not later than 31 May 2028;

The exercise price of Tranche 1 is $1.37 per option tranche. The exercise price of Tranches 2 and 3 is the share closing price on the second and third anniversaries of employment respectively.

Sixty percent (60%) of the shares issued on the exercise of options will be restricted shares subject to rule 9 of the Employee Option Plan until the first anniversary of the date of issue of the shares. Shares issued will be in escrow for twelve months and until that time will be unable to be dealt with.

Accumulated share rewards expense recognised during the year ended 30 June 2024 was $53,439.

6. Remuneration Consultants

In accordance with section 206K of the *Corporations Act 2001*, the Committee has a process for engaging remuneration consultants. The Committee, on behalf of the Board, commissions and receives information, advice and recommendations directly from remuneration consultants, ensuring any remuneration recommendations are free of undue influence by management. In consultation with external remuneration consultants, the Group aims to provide a market competitive remuneration framework that is complementary to the Group's reward strategy.

No remuneration recommendations were made in FY24.

7. Key Management Personnel Statutory Remuneration Tables

Details of the nature and amount of each element of the remuneration of each KMP are shown in the table below and has been prepared in accordance with the requirement of the Corporations Act and relevant Australian Accounting Standards and as such the amounts included under the share-based payments columns, are based on accounting values and do not reflect actual payments received. As continuing employment conditions and/or performance conditions apply, not all share-based payments may vest.

Remuneration Report - Audited (CONTINUED)

7.1 Key Management Personnel Remuneration 2024 and 2023

Table A Directors		Short-term				Long-term				
		Cash salary & fees $	Cash bonus $	Share options $	Super-annuation /US pension plan 401(k) $	Leave allow-ances $	Share options & share awards $	Termin-ation benefits $	Total $	Perform-ance based %
Mr David Williams (Chairman/Non-Executive Director)	**2024**	**126,126**	**–**	**–**	**13,303**	**–**	**–**	**–**	**139,429**	**–**
	2023	126,697	–	–	13,303	–	–	–	140,000	–
Mr Bruce Rathie (Non-Executive Director)	**2024**	**85,586**	**–**	**–**	**9,414**	**–**	**–**	**–**	**95,000**	**–**
	2023	86,364	–	–	9,068	–	–	–	95,432	
Dr David McQuillan (Non-Executive Director)	**2024**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2023	18,028	–	–	–	–	–	–	18,028	–
Mr Leon Hoare (Non-Executive Director)	**2024**	**92,646**	**–**	**–**	**2,375**	**–**	**–**	**–**	**95,201**	**–**
	2023	95,432	–	–	–	–	–	–	95,432	–
Dr Robyn Elliott (Non-Executive Director)	**2024**	**85,586**	**–**	**–**	**9,414**	**–**	**–**	**–**	**95,000**	**–**
	2023	86,364	–	–	9,068	–	–	–	95,432	–
Ms Christine Emmanuel – Donnelly (Non-Executive Director)	**2024**	**85,586**	**–**	**–**	**9,414**	**–**	**–**	**–**	**95,000**	**–**
	2023	86,364	–	–	9,068	–	–	–	95,432	–
Mr Andrew Lumsden (Non-Executive Director)	**2024**	**95,000**	**–**	**–**	**–**	**–**	**–**	**–**	**95,000**	**–**
	2023	93,165	–	–	2,267	–	–	–	95,432	–
Sub total compensation for Directors	**2024**	**570,530**	**–**	**–**	**43,920**	**–**	**–**	**–**	**614,450**	**–**
	2023	592,414	–	–	42,774	–	–	–	635,188	–
Table A Senior Management										
Mr Swami Raote	**2024**	**706,791**	**(12,523)[2]**	**(12,523)[2]**	**25,041**	**36,861**	**780,297**	**–**	**1,523,944**	**50**
	2023	616,680	153,732	153,732	5,374	41,706	716,338	–	1,687,562	61
Mr Jan Gielen	**2024**	**257,420**	**63,884**	**–**	**29,680**	**20,970**	**–**	**–**	**371,954**	**17**
	2023	243,202	–	–	25,536	22,896	–	–	291,634	0
Dr David McQuillan[4]	**2024**	**229,372**	**33,113[3]**	**–**	**2,703**	**12,722**	**146,247**	**–**	**424,157**	**42**
	2023	297,540	53,418	–	2,323	13,390	180,411	–	547,082	43
Mr Philip Scorgie[4]	**2024**	**150,816**	**20,360**	**–**	**16,590**	**12,409**	**53,439**	**–**	**253,614**	**29**
	2023	25,813	–	–	2,710	2,339	10,075	–	40,937	25
Mr Max Johnson	**2024**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0**
	2023	62,525	–	–	4,773	(14,340)	–	17,071	70,029	0
Sub total compensation for Other Key Management Personnel	**2024**	**1,344,399**	**104,834**	**(12,523)**	**74,014**	**82,962**	**979,983**	**–**	**2,573,669**	**42**
	2023	1,245,760	207,150	153,732	40,716	65,991	906,824	17,071	2,637,244	48
Total compensation for all Key Management Personnel	**2024**	**1,914,929**	**104,834**	**(12,523)**	**118,505**	**82,962**	**979,983**	**–**	**3,188,690**	**34**
	2023	1,838,174	207,150	153,732	83,490	65,991	906,824	17,071	3,272,432	39

1. The figures provided under the share options & shares awards column are based on accounting values and do not reflect actual payments received by Senior Executives.
2. Included adjustment of overstatement of short-term incentive plan performance outcome for the year ended 30 June 2023. Correct STIP performance outcomes were $nil cash bonus and nil share options.
3. Included adjustment of overstatement of short-term incentive plan performance outcome for the year ended 30 June 2023. Correct STIP performance outcomes were $40,982 cash bonus.
4. Ceased to be KMP effective 1 March 2024.

7.2 Share Options and Awards Granted or Exercised in FY2024

During the year ended 30 June 2024, nil share options (2023: 6,700,000) were granted to or exercised by key management personnel. The options exercised are pursuant to the PolyNovo Employee Share Option Plan.

Table B KMP	Grant date	Grant number	Average fair value per option at grant date $	Fair Value of options granted during the year $	Number of options exercised during the year	Value of options exercised during the year $	Value of options received upon exercise $
Mr Jan Gielen	06/03/2019	1,000,000	0.322	–	–	–	–
Mr Swami Raote	29/07/2022	5,000,000	0.874	–	–	–	–
Dr David McQuillan[1]	02/09/2022	1,200,000	0.444	–	–	–	–
Mr Philip Scorgie[1]	13/05/2023	500,000	0.450	–	–	–	–

1. Balance is as at the date they ceased to be KMP.

7.3 Share Options and Awards Vested or Forfeited in 2024

The share options and awards of key management personnel for the year ended 30 June 2024 are set out in the following table:

Table C KMP	Balance at 1 July 2023	Options granted during year	Options exercised during year	Options forfeited during year	Total vested at end of year	Total exercisable at end of year	Total not exercisable at end of year	Balance at 30 June 2024
Mr Swami Raote	5,000,000	–	–	–	–	–	5,000,000	5,000,000
Dr David McQuillan[1]	1,200,000	–	–	–	–	–	1,200,000	1,200,000
Mr Philip Scorgie[1]	500,000	–	–	–	–	–	500,000	500,000
Total	**6,700,000**	**–**	**–**	**–**	**–**	**–**	**6,700,000**	**6,700,000**

1. Balance is as at the date they ceased to be KMP.

7.4 Movements in Shares of the Company

The movement during the reporting period in the number of shares in the Company held either directly or indirectly by each of the key management personnel, including their related parties, is set out in the table below:

Table D Directors	Balance at 1 July 2023[1]	Granted as comp-ensation	On exercise of options	Net change other[2]	Balance at 30 June 2024	Balance at end of year – directly held	Balance at end of year – indirectly held
Mr David Williams	21,421,385	–	–	–	21,421,385	–	21,421,385
Mr Bruce Rathie	3,250,000	–	–	–	3,250,000	–	3,250,000
Mr Leon Hoare	1,180,220	–	–	–	1,180,220	–	1,180,220
Dr Robyn Elliott	42,789	–	–	32,000	74,789	74,789	–
Ms Christine Emmanuel-Donnelly	270,789	–	–	–	270,789	–	270,789
Mr Andrew Lumsden	150,000	–	–	–	150,000	–	150,000
Other KMP							
Mr Jan Gielen	910,000	–	–	(265,000)	645,000	345,000	300,000
Mr Swami Raote	–	–	–	–	–	–	–
Dr David McQuillan[3]	668,193	–	–	–	668,193	668,193	–
Mr Philip Scorgie[3]	–	–	–	–	–	–	–

1. Opening balance excludes shares held by closely related parties where there is no control or significant influence by the KMP.
2. 'Net Change Other' reflects shares privately acquired or disposed during the year and shares held by resigned KMP on the date of their cessation of employment.
3. Amount is as at the date they ceased to be KMP.

8. Loans to Key Management Personnel

No loans have been made to Directors of PolyNovo or to any other key management personnel, including their personally related entities.

9. Other Key Management Personnel Transactions

There were no other transactions with key management personnel during the year ended 30 June 2024.

End of Remuneration Report – Audited.

This Directors' Report, incorporating the Remuneration Report, has been signed in accordance with a Resolution of the Directors made on 23 August 2024.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in the proceedings to which the Company is a party for the purpose taking responsibility on behalf of the Company for all or part of those proceedings.

This report is made in accordance with the resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

David Williams
Chairman

Auditor's Independence Declaration

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Building a better working world

Auditor's independence declaration to the directors of PolyNovo Limited

As lead auditor for the audit of the financial report of PolyNovo 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 PolyNovo Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Ashley Butler
Partner
23 August 2024

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2024

	Note	Consolidated 30 June 2024 $'000	Consolidated 30 June 2023 $'000
Revenue			
Revenue from contracts with customers	4	103,192	65,241
Interest and other income	5	1,571	1,294
		104,763	66,535
Expenses			
Changes in inventories of finished goods and work in progress		(5,479)	(4,434)
Employee-related expenses	23	(59,433)	(39,438)
Research and development expenses		(10,929)	(7,429)
Depreciation and amortisation expenses	6	(2,195)	(2,037)
Corporate, administrative and overhead expenses	6	(24,295)	(17,416)
Interest expense	6	(721)	(714)
Profit/(loss) before income tax benefit		1,711	(4,933)
Income tax benefit	8	3,550	9
Profit/(loss) after income tax benefit for the year attributable to the owners of PolyNovo Limited		5,261	(4,924)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on translation of foreign operation		105	(681)
Other comprehensive income for the year, net of tax		105	(681)
Total comprehensive income for the year attributable to the owners of PolyNovo Limited		5,366	(5,605)

		Cents	Cents
Earnings per share for profit/(loss) attributable to the owners of PolyNovo Limited			
Basic earnings/(loss) per share	9	0.76	(0.72)
Diluted earnings/(loss) per share	9	0.75	(0.72)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2024

	Note	Consolidated 30 June 2024 $'000	Consolidated 30 June 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	7	45,907	46,847
Trade and other receivables	10	20,722	13,693
Contract cost assets	11	343	307
Inventories	12	8,972	4,530
Other financial assets	22	50	50
Other assets	13	3,301	1,903
Income tax receivables	8	–	24
Total current assets		79,295	67,354
Non-current assets			
Contract cost assets	11	37	183
Property, plant and equipment	14	12,519	11,115
Right-of-use assets	15	11,647	12,253
Intangibles	16	909	1,157
Deferred tax	8	3,740	–
Other assets	13	573	559
Total non-current assets		29,425	25,267
Total assets		108,720	92,621
Liabilities			
Current liabilities			
Trade and other payables	17	18,262	9,135
Interest-bearing loans and borrowings	18	1,888	1,398
Lease liabilities	19	647	492
Income tax liabilities	8	206	–
Provisions	20	2,244	1,643
Total current liabilities		23,247	12,668
Non-current liabilities			
Interest-bearing loans and borrowings	18	742	1,789
Lease liabilities	19	12,103	12,365
Provisions	20	504	416
Total non-current liabilities		13,349	14,570
Total liabilities		36,596	27,238
Net assets		72,124	65,383
Equity			
Issued capital	21	191,601	191,591
Reserves	21	(3,360)	(4,830)
Accumulated losses	21	(116,117)	(121,378)
Total equity		72,124	65,383

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2024

Consolidated	Contributed Equity $'000	Other Reserves $'000	Acquisition of Non-Controlling Interest Reserves $'000	Accumulated Losses $'000	Total equity $'000
Balance at 1 July 2022	139,431	4,032	(9,294)	(116,454)	17,715
Loss after income tax benefit for the year	–	–	–	(4,924)	(4,924)
Other comprehensive income for the year, net of tax	–	(681)	–	–	(681)
Total comprehensive income for the year	–	(681)	–	(4,924)	(5,605)
Issue of share capital	53,001	–	–	–	53,001
Capital raising costs	(1,468)	–	–	–	(1,468)
Exercise of options	627	–	–	–	627
Share-based payments (note 24)	–	1,113	–	–	1,113
Balance at 30 June 2023	191,591	4,464	(9,294)	(121,378)	65,383

Consolidated	Contributed Equity $'000	Other Reserves $'000	Acquisition of Non-Controlling Interest Reserves $'000	Accumulated Losses $'000	Total equity $'000
Balance at 1 July 2023	191,591	4,464	(9,294)	(121,378)	65,383
Profit after income tax benefit for the year	–	–	–	5,261	5,261
Other comprehensive income for the year, net of tax	–	105	–	–	105
Total comprehensive income for the year	–	105	–	5,261	5,366
Issue of share capital	–	–	–	–	–
Capital raising costs	10	–	–	–	10
Exercise of options	–	–	–	–	–
Share-based payments (note 24)	–	1,365	–	–	1,365
Balance at 30 June 2024	191,601	5,934	(9,294)	(116,117)	72,124

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

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2024

	Note	Consolidated	
		30 June 2024 $'000	30 June 2023 $'000
Cash flows from operating activities			
Receipts from customers		86,279	55,334
Receipt from BARDA reimbursements and advances		10,159	3,676
Receipt from grant income		–	405
Receipt from other revenue		–	72
Payment of interest on borrowings		(141)	(186)
Payment of interest on lease liabilities		(580)	(528)
Payments to suppliers and employees		(92,066)	(65,386)
Income tax refunded		32	–
Net cash from/(used in) operating activities		3,683	(6,613)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,897)	(1,528)
Interest received		1,407	679
Net cash used in investing activities		(1,490)	(849)
Cash flows from financing activities			
Proceeds from the issue of share capital (net of equity raising costs)		–	51,423
Proceeds from the exercise of options		–	627
Repayment of principal on borrowings		(2,655)	(3,160)
Repayment of principal on lease liabilities		(515)	(826)
Net cash from/(used in) financing activities		(3,170)	48,064
Net increase/(decrease) in cash and cash equivalents		(977)	40,602
Cash and cash equivalents at the beginning of the financial year		46,847	6,102
Effects of exchange rate changes on cash and cash equivalents		37	143
Cash and cash equivalents at the end of the financial year	7	45,907	46,847

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

Basis of Preparation

This section explains basis of preparation of our financial report and provides a summary of our key accounting estimates and judgements.

Note 1. Corporate Information

The Financial Report of PolyNovo Limited (the Company) and its controlled entities (the Group) for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors on 23 August 2024.

PolyNovo Limited, a for-profit entity, is a Company incorporated in Australia, whose shares are publicly traded on ASX Limited (ASX code: PNV). The Company operates predominantly in the medical device and healthcare industry and has operations in Australia, Hong Kong, India, Ireland, New Zealand, Singapore, the United Kingdom, and the United States.

Note 2. Summary of Material Accounting Policies

(a) Basis of Preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, International Financial Reporting Standards (IFRS) and the *Corporations Act 2001*.

The Financial Report has been prepared on a historical cost basis. The Financial Report is presented in Australian dollars.

The financial statements have been prepared in compliance with Legislative Instrument 2016/191 'ASIC Corporations (Rounding in Financial/ Directors' Reports)' and rounded to the nearest thousand dollar.

The consolidated financial statements provide comparative information in respect of the previous period. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(b) Going Concern

The financial statements of the Group have been prepared on a going concern basis. The Group's operations are subject to major risks due primarily to the nature of the research, development and commercialisation to be undertaken. These risks may materially impact the financial performance and position of the Group, including the value of recorded assets and the future value of its shares, options and performance rights. The financial statements take no account of the consequences, if any, of the effects of unsuccessful research, development and commercialisation of the Group's projects. The Group considered its ability to meet its debts and obligations taking into account all available information about the future. The Group has a level of discretion in managing cash outflows in a response to any changes or unexpected demands on working capital or operating conditions.

The accounting policies that are material to the consolidated entity are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

(c) Statement of Compliance

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Group has adopted all applicable new and amended Australian Accounting Standards and AASB Interpretations that apply as of 1 July 2023. Those Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted.

AASB 2022-6 *Amendments to Australian Accounting Standards* – Classification of Liabilities as current or Non-current

In December 2022, the AASB issued AASB 2022-6 which amends AASB 101 to improve the information an entity provides in its financial statements about liabilities arising from loan arrangements for which the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. When these amendments are first adopted for the year ending 30 June 2025, there will be no material impact on the financial statements. The amendments are effective for annual reporting periods beginning 1 January 2024. The amendments are not expected to have a material impact on the Group.

AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 replaces AASB 101 as the standard describing the primary financial statements and sets out requirements for the presentation and disclosure of information in AASB-compliant financial statements. Amongst other changes, it introduces the concept of the "management-defined performance measure" to financial statements and requires the classification of transactions presented within the statement of profit or loss within one of five categories – operating, investing, financing, income taxes, and discontinued operations. It also provides enhanced requirements for the aggregation and disaggregation of information. The amendments are effective for annual reporting periods beginning 1 January 2027. The group is currently assessing the impact the amendments will have on the financial statements.

(d) Changes in Accounting Policy, Disclosures, Standards and Interpretations

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

In preparing the consolidated financial statements, the significant estimates, judgements and assumptions made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are disclosed in the respective notes.

(e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2024. The Group controls an investee if and only if the Group has:

- power over the investee (that is, rights that give it the ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

(f) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Classification and Measurement

Except for certain trade receivables, the group initially measures a financial asset at its fair value. Financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the SPPI criterion).

Financial Liabilities

Classification and Measurement

The Group's financial liabilities include loans and borrowings and payables that are classified at fair value through profit or loss as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

For the purposes of subsequent measurement, after initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. For more information, refer to note 18.

(g) Foreign Currency Translation

The functional currency of each of the entities in the Group must reflect the primary economic environment in which the entity operates. Accordingly, the relevant functional currencies are Australian dollars for Australian entities and US dollars for the U.S. entity, Canadian dollars for Canada entity, Singapore dollars for Singapore entity, New Zealand dollars for New Zealand entity, Rupees for India entity, Hong Kong dollars for Hong Kong entity, British pound sterling for U.K. entity and Euro for European entities. Foreign currency items are translated to Australian currency on the following basis.

- Transactions are converted at exchange rates approximating those in effect at the date of the transaction.
- On consolidation, the assets and liabilities of the foreign operation are translated into Australian dollars at the rate of exchange prevailing at the reporting date except for retained earnings which is translated at a historic rate of exchange pertaining to the relevant financial year. The Statement of Comprehensive Income is translated at an average exchange rate over the financial year.
- The exchange difference arising on translation for consolidation are recognised in the balance sheet as a foreign currency translation reserve. On disposal of a foreign operation, the reserve is reclassified to profit or loss.

Rounding of Amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Performance for the Year

This section explains our results and performance and includes our segment results, which are reported on the same basis as our internal management structure, and our earnings per share for the period. It also provides details of selected income and expense items, information about taxation and a reconciliation of our profit to net cash generated from operating activities.

Note 3. Segment Information

Operating Segment

PolyNovo has only one reporting segment being the development of the NovoSorb technology for use in a range of biodegradable medical devices.

The chief operating decision-maker is the Chief Executive Officer of PolyNovo Limited.

The chief operating decision-maker reviews the results of the business on a single entity basis and assesses business performance in order to make decisions about resource allocation in order to progress the commercialisation of PolyNovo technology. Performance assessment is based on EBITDA[1] (earnings before interest, tax, depreciation and amortisation). These measures are different from the profit or loss reported in the consolidated financial statements which is shown after net interest and tax expense.

1. EBITDA is considered non-IFRS financial information.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Net Loss After Tax	5,261	(4,924)
Interest income	(1,535)	(870)
Interest expense	721	714
Depreciation and amortisation	2,738	2,283
Tax	(3,550)	(9)
EBITDA	3,635	(2,806)

During the year ended 30 June 2024, sales to BARDA in the United States of America, represented 11% (2023: 9%) of total sales revenue from contracts with customers.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Revenue from contracts with customers		
Geographical areas		
United States of America	79,836	51,764
Australia and New Zealand	6,560	4,769
Other countries	16,796	8,709
	103,192	65,242

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Non-current assets		
Geographical areas		
United States of America	2,536	344
Australia and New Zealand	27,214	24,788
Other countries	122	135
	29,872	25,267

Note 4. Revenue From Contracts with Customers

Revenue From Contracts with Customers

The Group is in the business of designing, manufacturing and selling biomedical devices. Revenue from contracts with customers is recognised when performance obligations pursuant to that contract are satisfied by the Group.

The Group has identified the following main categories of revenue:

Commercial Product Sales

The group revenue primarily consists of the sale of its NovoSorb Biodegradable Temporising Matrix (NovoSorb BTM) product. Revenue is recorded when the customer takes possession of the product. All contracts with customers are standardised and satisfy the criteria of transaction approval, identification of each party's rights, payment terms, commercial substance, and probable collection based on the customer's ability and intention to pay. Revenue is recognised at a point in time when control over the product transfers to the customer, which is assessed to be at the time of receipt of goods by the customer.

The group also sells its NovoSorb BTM and derivative product in certain overseas territories via a distributor model. The sales are made direct to a distributor being the customer of PolyNovo Limited, with the distributor permitted to resell the NovoSorb BTM to an end user. The group has assessed these arrangements to consider that control passes to the distributor at the point the distributor takes possession of the product. The group consider themselves to be acting as principal in the sale of goods to distributors and recognise revenue on a gross basis.

All contracts with distributors are standardised, and satisfy the criteria of transaction approval, identification of each party's rights, payment terms, commercial substance, and probable collection based on the customer's ability and intention to pay. Revenue is recognised at a point in time when control over the product transfers to the distributor as the customer, which is assessed to be at the time of receipt of goods by the distributor.

Biomedical Advanced Research and Development Authority (BARDA) Revenue

The BARDA arrangement requires the group to provide to BARDA a solution for severe thermal burns, with the performance obligation as defined in the terms of the arrangement being to perform research and development for specific clinical and trial tasks to support the product development of NovoSorb BTM for severe thermal burns. Judgement has been applied to consider that the license of intellectual property and research and development activities are not distinct. Revenue is recognised over time based on input measures of specified costs, with the performance obligations being achieved through delivery to BARDA of the contracted clinical studies and trial tasks to support the development of the NovoSorb BTM product for severe thermal burns.

BARDA is considered a customer in accordance with AASB 15 as the nature of services performed by PolyNovo are considered part of the group's licence of intellectual property and normal research and development operating activities and in exchange, consideration is to be paid as the group progresses with its research and development of a mass scalable severe thermal burns product.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
BARDA revenue	11,150	5,663
Commercial product sales	92,042	59,578
	103,192	65,241

Note 5. Interest and Other Income

Interest Income

Interest income is recognised when the Group has the right to receive the interest payment using the effective interest rate method.

Government Grants

Government grants are recognised at their fair value when the grant is received and all attaching conditions have been complied with. Research and development income tax revenue is recognised when there is reasonable assurance of receipt.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Interest income	1,535	870
Other income	36	424
	1,571	1,294

Majority of the other income is generated from government grants in the current year.

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

During the year ended 30 June 2024, the Group continued to receive government grants from the Victorian Government:

- Victorian Government grants up to $252,000 to support the purchase of equipment and the development of the new cleanroom at PolyNovo's Port Melbourne facility. The grant was completed during this financial year with grant income of $36,000 recognised in 2024.

Note 6. Significant Expenses

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits; and
- The ability to measure reliably the expenditure during development.

No development expenditure has been capitalised.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Depreciation and amortisation expenses		
Depreciation – laboratory equipment	445	416
Depreciation – office equipment	512	321
Depreciation – leasehold improvements	240	194
Subtotal	1,197	931
Amortisation – Right of use assets	750	858
Amortisation – intangible assets	248	248
Subtotal	998	1,106
Total	2,195	2,037

In addition to the depreciation and amortisation expenses listed above, depreciation relating to manufacturing of $543,000 ($295,000 for depreciation of fixed assets and $248,000 for depreciation of lease assets) is included in the cost of inventory.

Total depreciation and amortisation expenses amount in 2024 is $2,738,000 (2023: $2,291,000).

Refer to note 14 for property, plant and equipment reconciliation and note 15 for right-of-use assets reconciliation.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Corporate, administrative and overhead expenses		
Insurances	2,488	2,517
Professional fees	742	770
Investor relations and share registry expenses	421	361
Consultants and contractors expenses	4,135	3,554
Communication expenses	1,117	785
Travel expenses	6,561	4,333
Marketing expenses	3,290	2,358
Realised foreign exchange loss	209	115
Unrealised foreign exchange gain	93	(787)
Other expenses	5,239	3,410
	24,295	17,416

Included in other administrative expenses are third party logistic warehousing fees of $937,000 (2023: $632,000), dues and subscriptions of $819,000 (2023: $482,000) and IT software licences of $758,000 (2023: $441,000).

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Interest expenses		
Interest expense	26	16
Interest expense – short term loan	39	59
Interest expense – equipment finance loan	76	111
Interest expense – lease liability associated with right-of-use assets	580	528
	721	714

The Group has secured equipment finance facilities and short-term loan, further details on loan facility are disclosed in note 18.

Note 7. Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Cash and cash equivalents are denominated in:

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
AUD	19,892	37,380
USD	17,892	7,116
NZD	1,092	414
GBP	3,679	751
EUR	2,851	300
CAD	281	411
INR	17	475
HKD	203	–
Total	45,907	46,847

Notes to Consolidated Financial Statements (CONTINUED)

Performance for the Year

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Cash at bank	21,669	11,847
Short term deposits	24,238	35,000
	45,907	46,847

Cash at bank earns interest at floating rates based on daily bank deposit rates, except for the term deposit of $24,238,000 at the weighted average interest rate of 4.64%.

Reconciliation of Net Loss Before Income Tax to Net Cash Flow From Operating Activities

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Net profit/(loss) before income tax	1,711	(4,933)
Adjustments for non-cash items:		
Depreciation and amortisation	2,738	2,282
Share-based payment expense	1,540	1,113
Loss on inventory write-off	50	105
Doubtful debts expense	–	34
Unrealised foreign exchange rate differences	93	(74)
Other non-cash item	–	10
Interest received classified as investment activities	(1,535)	–
Income tax refunded	32	–
Change in assets and liabilities during the financial year:		
(Increase) in trade receivables	(6,900)	(7,413)
(Increase)/decrease in prepayments	(1,398)	(378)
(Increase)/decrease in contract assets	110	(14)
(Increase) in inventory	(4,493)	(1,995)
(Increase) in other assets	(14)	(262)
Increase/(decrease) in payables	8,962	4,167
Increase in provisions	689	765
(Increase)/ decrease in other receivables	–	(20)
Increase in insurance premium funding arrangement	2,098	–
Net cash outflows from operating activities	3,683	(6,613)

Note 8. Income Tax Expense/(Benefit)

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a 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 taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Sales Tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the Cash Flow Statement on a gross basis (that is, including GST) and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed exclusive of the amount of GST recoverable from, or payable to, the taxation authority.

Significant Estimates and Assumptions – Deferred Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has $81,965,000 (2023: $93,493,000) of tax losses carried forward that have not been recognised. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by $24,317,000.

(a) Income Tax Expense

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Current income tax charge/ (benefit)	(2,322)	(9)
Relating to origination and reversal of temporary differences	(3,688)	–
Deferred income tax	2,460	–
Aggregate income tax benefit	(3,550)	(9)
Reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax benefit	1,711	(4,933)
Tax at the statutory tax rate of 30%	513	(1,480)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Initial recognition of research and development concessional credits	1,175	692
Share-based payments	385	211
Meals and entertainment	340	332
Other	45	–
	2,458	(245)
Deferred income tax consist of:		
Other payables, provisions and accruals	1,659	–
Other timing differences	801	–
Current year tax losses and temporary differences not recognised	2,288	(69)
Prior year tax losses not recognised now recouped	(6,668)	–
Prior year temporary differences not recognised now recognised	(3,688)	–
Prior year tax losses recognised	52	–
Effect of lower tax rate in other jurisdictions	(452)	305
Income tax benefit	(3,550)	(9)

(b) Deferred Tax Assets and Liabilities

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Deferred tax assets	4,187	766
Deferred tax liabilities	(447)	(766)
Net deferred tax assets/ (liabilities)	3,740	–
Deferred tax balance reflects temporary differences attributable to:		
Deferred tax assets		
Carried forward tax losses	52	–
Share-based payments	245	–
Property, plant and equipment	76	–
Right-of-use assets and associated lease liabilities	326	–
Intercompany interest expense	1,242	–
Employee benefits	690	–
Deferred revenue	149	–
Other accruals and provisions	827	–
Other	580	766
Total deferred tax assets	4,187	766
Deferred tax liabilities		
Prepaid expenses	(136)	(259)
Trade and other receivables	(260)	(205)
Property, plant and equipment	(51)	(302)
Total deferred tax liabilities	(447)	(766)

(c) Deferred Tax Assets Not Brought to Account

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Unrecognised, unconfirmed tax losses for which no deferred tax asset has been recognised	81,965	93,493
Deductible temporary differences – no deferred tax asset has been recognised	121	2,259
Total	82,086	95,752
Potential tax benefit	24,317	23,938

(d) Current Tax Liability

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Income tax receivable	–	24
Income tax liabilities	(206)	–

Note 9. Earnings/(Loss) Per Share

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Profit/(loss) after income tax attributable to the owners of PolyNovo Limited	5,261	(4,924)

	Number	Number
Weighted average number of ordinary shares used in calculating loss per share	690,232,751	684,454,164
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	10,150,000	–
	700,382,751	684,454,164

	Cents	Cents
Basic earnings/(loss) per share	0.76	(0.72)
Diluted earnings/(loss) per share	0.75	(0.72)

Basic Earning/(Loss) Per Share

Basic earning/(loss) per share as the net profit/(loss) attributable to the shareholders of PolyNovo Limited, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earning/(Loss) Per Share

Diluted earning/loss per share is calculated as the net profit/(loss) attributable to shareholders, adjusted for:

- the costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares. The resultant net profit/(loss) is divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

At 30 June 2024 there existed share options that if vested, would result in the issue of additional ordinary shares over the period to FY2029. In the prior period, these potential ordinary shares are considered antidilutive as their conversion to ordinary shares would reduce the loss per share. Accordingly, they have been excluded from the dilutive loss per share calculation. There were no further transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Between the reporting date and the issue date of the 23 August 2024 Financial Report, there have been no transactions involving ordinary shares or potential ordinary shares that would impact the calculation of EPS disclosed in the table above.

Core Assets and Working Capital

This section describes our core long-term tangible and intangible assets underpinning the Group's performance and provides a summary of our asset impairment assessment. This section also describes our short-term assets and liabilities, i.e. our working capital supporting the operating liquidity of our business.

Note 10. Trade and Other Receivables

Trade and other receivables and contract assets are initially recorded at fair value and subsequently measured at amortised cost.

Trade and other receivables and contract assets are written off against their carrying amounts and expensed in the income statement when all collection efforts have been exhausted and the asset is considered uncollectable. Factors indicating there is no reasonable expectation of recovery include insolvency and significant time period since the last invoice was issued.

Significant Estimates and Assumptions – Expected Credit Loss

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The method applied categorises trade receivables and BARDA income receivables into various customer segments, then to determine the ECL amount, an assessment of the correlation between historical observed default rates and forecast economic conditions is applied.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Generally, trade receivables are written off if past due for more than one year.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group has assessed forecast economic conditions in all regions. This assessment is reflected in the application of the provision matrix to calculate ECL's. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Current assets		
Trade receivables	19,060	12,366
BARDA income receivables	865	683
Sundry receivables	479	454
	1,344	1,137
Interest receivable	318	190
Total trade and other receivables	20,722	13,693

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Financial assets and non-financial assets		
Trade receivables	19,060	12,366
BARDA Income Receivables	865	683
Sundry receivables	479	95
Interest receivable	318	190
Total financial assets	20,722	13,334
Sundry receivables	–	359
Total non-financial assets	–	359
Total trade and other receivables	20,722	13,693

Trade receivables relates to invoices to customers for sale of goods and PolyNovo's BARDA project representing invoiced and un-invoiced services for labour and sub-contractor expenses.

The changes in the balance of trade receivables and the information about the credit exposure are disclosed in note 22.

BARDA Income Receivables

BARDA income receivables are initially recognised for revenue earned from the provision of research and development services as receipt of consideration is conditional on the acceptance by the customer. Upon completion of the milestone and acceptance by the customer, the amounts recognised as BARDA income receivables are reclassified to trade receivables. As at 30 June 2024, the Group has BARDA income receivables of $865,000 (2023: $683,000). Amounts are invoiced in the month following satisfaction of the performance obligation. There are no significant expected credit losses related to the BARDA income receivables, as the credit risk of US Federal Government Agency is low. The Group has an agreement with BARDA to provide research and development services until August 2025 for the Pivotal Trial. In 2024, BARDA has committed an additional funding of USD$10 million. This increased the total funding commitment from BARDA to USD$25 million for the Pivotal Trial.

Expected Credit Loss

Based on the business failure rates by class of customers and Dun & Bradstreet credit score the Expected Credit Losses relating to trade receivables and contract assets the Group has recognised $44,000 as at 30 June 2024 (2023: $44,000). $Nil trade and other receivables were written off during the year.

The Group uses a provision matrix to measure its expected credit loss. Set out below is information about the credit risk exposure on the Group's trade receivables and BARDA income receivables using a provision matrix as at 30 June 2024:

	Trade and other receivables					
	Not due 0 Days	June 1-30 Days	May 30-60 Days	April 60-90 Days	March+ 90+ Days	Total
Gross carrying amount ($)	10,971	3,139	4,053	547	1,259	19,969
Expected credit loss ($)	–	(7)	(8)	(8)	(21)	(44)
Net balance	**10,971**	**3,132**	**4,045**	**539**	**1,238**	**19,925**

Trade and other receivables which are not due as at 30 June 2024 was $10,971, which was not expected to have any credit loss. Trade receivables and BARDA income receivables due in less than 30 days and other financial assets have an expected credit loss which are not significant.

Note 11. Contract Cost Assets

Costs to fulfil a contract include set-up costs and prepaid costs of a service provider related to goods and services which will be transferred in the future reporting periods.

The Group capitalise costs to fulfil a contract if:

- the costs relate directly to a contract or a specifically identified anticipated contract;
- the cost generate or enhance resources that we control and will use when transferring further goods and services; and
- the Group expect to recover the costs.

The Group amortise contract cost assets over the term that reflects the expected period of benefit of the expense.

Significant Estimates and Assumptions – Contract Cost Assets

Estimating the utilisation of contract cost assets requires selection of an appropriate amortisation method. The Group adopted straight line method to amortise contract cost assets over the period of BARDA study, consistently with the transfer of the services to which the asset relates.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Contract cost assets (Current)	343	307
Contract cost assets (Non-current)	37	183
	380	490

The Group engaged subcontractors to fulfill specific performance obligations with regards to the Group's BARDA arrangement since the year ended 30 June 2021. The Group was required to prepay specific amount to the subcontractor upfront to support the delivery of the BARDA contract. Amortisation is calculated on a straight-line basis over the life of the BARDA contract from the FY2021 to FY2026.

Note 12. Inventories

Inventory is measured at cost for raw materials and packaging materials. A standard cost has been derived for finished goods and semi-finished goods. The standard cost includes an allocation of materials, direct labour, freight expenses to third party logistics and manufacturing overheads. The value of finished goods and semi-finished goods may include an allocation of manufacturing variances incurred during the period if it is determined that the relevant production remains in inventory at balance date.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Current assets		
Raw materials	696	222
Work in progress	3,167	1,617
Finished goods	5,214	2,722
Provision for finished goods	(105)	(31)
	5,109	2,691
	8,972	4,530

The total of inventory is held at lower of cost or net realisable value (NRV). During the year ended 30 June 2024, the loss on inventory write off was $51,000 (2023: $105,000).

Note 13. Other Assets

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Current assets		
Prepayments	3,301	1,903
Non-current assets		
Security deposits	573	559

The non-current security deposit relates predominantly to PolyNovo's long-term lease of office premises in Port Melbourne and San Diego, USA, including the security deposit of $151,500 due to the leaseback of office premises at Unit 1/316-320 Lorimer Street, Port Melbourne.

Included in current prepayment are prepaid insurance of $1,373,000 (2023: $863,000) and other prepaid expenses.

Note 14. Property, Plant and Equipment

Construction in progress is stated at cost, net of accumulated impairment losses. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Property	25 to 40 years
Office equipment	3 to 10 years
Laboratory plant and equipment	3 to 13.33 years
Leasehold improvements	3 to 20 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, when events or changes in circumstances indicate that the carrying value may be impaired. An asset is impaired when its carrying value exceeds its estimated recoverable amount. In this instance, the asset is written down to its recoverable amount and the impairment loss recognised in the Statement of Comprehensive Income.

For impairment testing purposes, the recoverable amount of an asset is estimated as the higher of its fair value less cost of disposal and its 'value-in-use'. Value-in-use is calculated by discounting, the estimated future cash flows derived from use of the asset, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Disposal

Plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in the Statement of Comprehensive Income.

Reconciliations of the carrying amount at the beginning and end of the current and previous financial year are set out below:

	Laboratory Plant & Equipment $'000	Office Equipment $'000	Leasehold Improvements $'000	Construction in Progress $'000	Total $'000
As at 30 June 2023					
Cost	5,658	2,400	6,638	2,096	16,792
Accumulated depreciation	(2,488)	(1,255)	(1,934)	–	(5,677)
Carrying amount at 30 June 2023	3,170	1,145	4,704	2,096	11,115
Carrying amount at 1 July 2022	2,580	880	4,192	2,294	9,946
Additions	277	563	754	665	2,259
Transfer to/ (from) CIP to FA (at cost)	851	12	–	(863)	–
Depreciation expense	(538)	(321)	(242)	–	(1,101)
Foreign exchange difference	–	11	–	–	11
Carrying amount at 30 June 2023	3,170	1,145	4,704	2,096	11,115

	Laboratory Plant & Equipment $'000	Office Equipment $'000	Leasehold Improvements $'000	Construction in Progress $'000	Total $'000
As at 30 June 2024					
Cost	6,068	2,876	6,822	3,918	19,684
Accumulated depreciation	(3,172)	(1,763)	(2,230)	–	(7,165)
Carrying amount at 30 June 2024	2,896	1,113	4,592	3,918	12,519
Carrying amount at 1 July 2023	3,170	1,145	4,704	2,096	11,115
Additions (at cost)	317	458	111	2,011	2,897
Transfer from CIP to FA (at cost)	93	23	73	(189)	–
Depreciation expense	(684)	(512)	(296)	–	(1,492)
Foreign exchange difference	–	(1)	–	–	(1)
Carrying amount at 30 June 2024	2,896	1,113	4,592	3,918	12,519

Note 15. Right-of-use Assets

The Group recognises right of use assets at the commencement of a lease. Right of use assets cost comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs.

Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right of use assets are reviewed for impairment under the same policy as our property, plant and equipment assets.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets as follows:

Property	4 to 20 years
Office equipment	4 to 5 years
Manufacturing equipment	3 years

Significant Estimates and Assumptions – Incremental Borrowing Rate for Property Lease

PolyNovo applies judgement to determine incremental borrowing rate for property lease because the interest rate implicit in lease is not readily determinable for the arrangement. The incremental borrowing rate is determined based on the interest that the lessee would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, and observable inputs such as market interest rates are used as applicable. Further details on incremental borrowing rate are disclosed in note 19.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Non-current assets		
Right-of-use assets	14,241	14,381
Accum Depn – Right of use assets	(2,594)	(2,128)
	11,647	12,253

The Group has lease contracts for various items of property, office equipment and lease equipment used in its operations. Leases of property generally have lease terms between 3 and 10 years, while office and manufacturing equipment generally have lease terms between 3 and 5 years.

On 1 September 2022, the Group leased the building located at 322-326 Lorimer Street, Port Melbourne with a lease term of 9.5 years, plus four 5-year renewal options. It is expected that the Group will renew the lease in line with the Group strategy, thus lease term is expected to be 20 years. A right-of-use asset of $6,279,000 was recognised on 1 September 2022 and it will be amortised on straight line basis over the next 20 years.

On 1 November 2023, PolyNovo North America LLC entered a contract to extend the current lease for office premises to 31 March 2026. The original contract was due to expire on 29 February 2024.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

	Property $'000	Manufacturing equipment $'000	Motor vehicle $'000	Total $'000
Carrying amount as at 1 July 2022	6,785	6	14	6,805
Additions	6,387	–	–	6,387
Amortisation expense	(930)	(5)	(8)	(943)
Termination	–	–	(6)	(6)
Foreign currency exchange differences	10	–	–	10
Carrying amount as at 30 June 2023	12,252	1	–	12,253

	Property $'000	Manufacturing Equipment $'000	Motor Vehicle $'000	Total $'000
Carrying amount as at 1 July 2023	12,252	1	–	12,253
Amortisation expense	(997)	(1)	–	(998)
Remeasurement	409	–	–	409
Foreign currency exchange difference	(17)	–	–	(17)
Carrying amount as at 30 June 2024	11,647	–	–	11,647

The following are the amounts recognised in profit or loss in addition to low value and short term leases of $nil (2023: $9,000) recognised during the year.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Depreciation expense of right-of-use assets	998	943
Interest expense on lease liabilities	580	528
Total amount recognised in profit or loss	1,578	1,471

The Group had total cash outflows for leases of $1,095,000 in 2024 (2023: $836,000).

Group as Lessor

The Group has not entered into any leases as lessor.

Note 16. Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. The intangible assets carried by the Group, being intellectual property assets had a definite useful life on acquisition.

Internally generated intangible assets are capitalised if the product is at development phase. Costs that are directly attributable to a product's development phase are recognised as intangible assets, provided all of the following recognition requirements are met:

- the product is technically and commercially feasible,
- the Group intends to and has sufficient resources to execute a commercial outcome from the product,
- the Group has the ability to derive income from the product and will generate probable future economic benefits from the product, and
- the development costs can be measured reliably.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Directly attributable costs include employee costs incurred on development along with an appropriate portion of relevant overheads.

Expenditure on the research phase of projects is recognised as an expense as incurred and is recognised in the Statement of Comprehensive Income (profit or loss) in the year in which the expenditure is incurred.

Impairment of Intangible and Other Assets

Intangible assets that have an indefinite useful life are not subject to amortisation. They are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets including definite lived intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual impairment assessment review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated which is based on – higher of its fair value less cost of disposal and its 'value-in-use'. Value-in-use is calculated by discounting, the estimated future cash flows derived from use of the asset, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Significant Estimates and Assumptions – Impairment of Tangibles

Impairment exists when the carrying value of an asset exceeds its recoverable amount. For the intangible assets that have finite economic lives, PolyNovo considers indicators of impairment and if an indicator exists, will determine the recoverable amount of the intangible asset. For the indefinite life intangibles and goodwill, the recoverable amount is determined every year. An estimate is provided on the useful life of the current intangible asset based on the existing patent period.

Intangible assets, comprising intellectual property, were acquired through the business combination with PolyNovo Biomaterials Pty Ltd on 17 December 2008. The acquired intangible assets were initially recognised at fair value.

Following the consistent commercial sales of NovoSorb BTM, amortisation of intangible assets commenced in FY2018 over the remaining finite life through to March 2028 being the remaining patent life period over which economic benefits will be consumed. No indicators of impairment related to the NovoSorb technology have been identified as at 30 June 2024.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Non-current assets		
Intangibles		
(i) Cost		
Opening balance	2,520	2,520
Additions	–	–
Closing balance	2,520	2,520
(ii) Accumulated amortisation		
Opening balance	(1,363)	(1,115)
Amortisation for the year	(248)	(248)
Closing balance	(1,611)	(1,363)
Net book value	909	1,157

Note 17. Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are normally settled on 30-day terms. Due to the short-term nature of these payables amortised cost equates to fair value.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Current liabilities		
Trade payables	6,392	2,895
Other payables	11,870	6,240
Total trade and other payables	18,262	9,135

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Financial liabilities and non-financial liabilities		
Trade payables	6,392	2,895
Other payables	8,902	5,229
Total financial liabilities	15,294	8,124
Other payables	2,968	1,011
Total non-financial liabilities	2,968	1,011
Total trade and other payables	18,262	9,135

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Included in other payables are deferred income on upfront fees paid under BARDA contract of $498,000 (2023: $524,000), accrued commission of $3,426,000 (2023: $2,095,000), accrued other liabilities of $2,136,000 (2023: $1,020,000). BARDA contract liability will be recognised over the period of the contract.

Note 18. Interest-bearing Loans and Borrowings

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Current liabilities		
Equipment Finance – current	1,073	1,014
Short term loan – current	815	384
	1,888	1,398
Non-current liabilities		
Equipment Finance – non current	742	1,789

Refer to note 22 for further information on financial risk management objectives and policies.

(a) Interest Bearing Facility Details

Financing Facilities	Facility Amount $	Maturity Date	Interest rate %	FY24 Interest expense $
Equipment finance	3,800,000	June 2025 – May 2027	3.45%	102,000
Short term loan	1,307,000	March – November 2024	2.37%	39,000

Equipment Finance Facility

The purpose of this facility is to fund the capital expenditure items such as manufacturing equipment and R&D equipment.

The facility is a $3,800,000 revolving equipment finance facility with repayments over 5 years on each tranche drawn at an interest rate between 3.24% to 6.21% (weighted average rate of 3.45%). Currently a total of $1,815,000 was drawn down as at 30 June 2024. Interest is calculated daily and payable on the last business day of each month. The current limit as at 30 June 2024 is $3,800,000.

No additional covenant requirements, except that PolyNovo needs to maintain a minimum cash balance of $1,285,000 at all times, reflective of 12 months interest payable and principal repayments of the facility.

Short-term Loans

Short-term loans relate to insurance premium funding for the Group.

Note 19. Lease Liabilities

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Subsequent to initial recognition, lease liabilities are measured at amortised cost. Lease liabilities are remeasured if there is a modification, such as a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are inclusive of extension options the Group is reasonably certain to exercise based upon our judgement as of the reporting date. Lease extension options that the Group is not reasonably certain to exercise as of the reporting date are appropriately excluded from the lease liabilities.

On 1 November 2023, the Group entered a contract to extend the lease for its U.S. office located at 2111-2141 Palomar Airport Road in the City of Carlsbad, California to 31 March 2026. Refer to note 15 for further details.

Significant Estimates and Assumptions – Lease Term

PolyNovo applies judgement to determine a lease term for leases with extension, termination or purchase options. PolyNovo also considers lease modifications where we continue to use the same underlying asset for an extended term. Our lease terms are negotiated on an individual basis and contain a range of different terms and conditions, with fixed term period between 3 to 20 years. The lease term assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and that is within our control as a lessee.

Significant Estimates and Assumptions – Incremental Borrowing Rate for Property Lease

Refer to note 15 for details of estimates and assumptions made in relation to incremental borrowing rate used in the valuation of right-of-use assets and their corresponding lease liabilities.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Current liabilities		
Lease liability – current	647	492
Non-current liabilities		
Lease liability – non current	12,103	12,365

Note 20. Provisions

Provisions are recognised when all three of the following conditions are met:

- The Group has a present or constructive obligation arising from a past transaction or event;
- It is probable that an outflow of resources will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

Provisions recognised reflect our best estimate of the expenditure required to settle the present obligation at the reporting date.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Current provisions		
Annual leave	2,015	1,475
Long service leave	229	168
Total current provisions	2,244	1,643
Non-current provisions		
Long service leave	272	184
Make good	232	232
Total non-current provisions	504	416

Capital and Risk Management

This section sets out the policies and procedures applied to manage our capital structure and the financial risks we are exposed to. We manage our capital structure in order to maximise shareholders' return, maintain optimal cost of capital and provide flexibility for strategic investments.

Note 21. Equity

(a) Movement in Contributed Equity

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Contributed equity at beginning of year	191,591	139,431
Issue of share capital	–	53,001
Capital raising costs	10	(1,468)
Exercise of options	–	627
Contributed equity at end of year	191,601	191,591

Number of Shares Authorised and Fully Paid

	'000	'000
On issue at start of year	690,232	661,688
Exercise of options	–	650
Issue of share capital – Institutional placement	–	15,789
Issue of share capital – Share purchase plan	–	10,526
Issue of share capital – Director placement	–	1,579
On issue at end of year	690,232	690,232

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(b) Reserves

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Share-based payments reserve (i)	6,845	5,480
Foreign currency translation reserve (ii)	(911)	(1,016)
Acquisition of non-controlling interest reserve (iii)	(9,294)	(9,294)
Balance at end of period	(3,360)	(4,830)

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
(i) Share-based payments reserve		
Balance at beginning of period	5,480	4,367
Share-based payments movement *	1,365	1,113
Balance at end of period	6,845	5,480

* Details of share-based payment movement refer to note 23 Employee-related expenses.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
(ii) Foreign currency translation reserve		
Opening balance	(1,016)	(335)
Translation of foreign operations	105	(681)
Balance at end of period	(911)	(1,016)

This reserve represents on consolidation, the translation of the foreign operation into Australian dollars. The exchange difference is recognised in the balance sheet as a reserve.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
(iii) Acquisition of non-controlling interest reserve		
Opening balance	(9,294)	(9,294)
Balance at end of year	(9,294)	(9,294)

This reserve represents the premium paid by PolyNovo Limited for the non-controlling interest in a previous period in subsidiary entities PolyNovo Biomaterials Pty Ltd, NovoSkin Pty Ltd and NovoWound Pty Ltd.

(c) Accumulated losses

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Accumulated losses at beginning of year	(121,378)	(116,454)
Net loss attributable to members of the parent	5,261	(4,924)
Accumulated losses at end of financial year	(116,117)	(121,378)

Note 22. Financial Risk Management Objectives and Policies

(a) Financial Instruments

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and other financial liabilities.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Cash and cash equivalents *	45,907	46,847
Trade and other receivables	20,722	13,333
Other financial assets **	50	50
Trade and other payables	15,294	8,124
Lease liabilities	12,750	12,857
Equipment finance facility	1,815	2,803
Short term loan	815	384

* As at 30 June 2024, PolyNovo Limited holds a number of short-term term deposits of $24,238,000, at the weighted average interest rate of 4.64%.

** As at 30 June 2024, $50,000 is held in a term deposit maturing on 16 March 2025 at an interest rate of 5.05%.

(b) Risk Management Policy

The Group has a formal risk management policy and framework. The Group's approach to risk management involves identifying, assessing and managing risk, including consideration of identified risks, in the context of the Group's values, objectives and strategies. The Board is responsible for overseeing the implementation of the risk management system and reviews and assesses the effectiveness of the Group's implementation of that system.

The Group seeks to ensure that its exposure to risks that are likely to impact its financial performance, continued growth and survival are minimised in a cost-effective manner.

(c) Significant Accounting Policies

Details of the significant accounting policies and methodologies adopted in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

(d) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Company's Constitution and any relevant regulatory requirements. The capital structure of the Group consists of debt and equity attributed to equity holders of the Group comprising contributed equity, reserves and accumulated losses as disclosed in note 21. The Board monitors the need to raise additional equity from the equity markets based on its ongoing review of PolyNovo's actual and forecast cash flows, which are provided by management.

(e) Financial Risk Management

The key financial risks the Group is exposed to through its operations are:

- interest rate risk;
- credit risk;
- liquidity risk; and
- foreign currency risk.

Interest Rate Risk

Interest rate risk arises when the value of a financial instrument fluctuates as a result of changes in market interest rates.

The Group is exposed to interest rate risks in relation to its holdings in cash and cash equivalents and equipment finance facilities. The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rates. To manage this risk, the Group locks a portion of the Group's cash and cash equivalents into term deposits. The required maturity period of term deposits is determined based on the Group's cash flow forecast with particular focus on the timing of cash requirements. In addition, the Group considers the lower interest rate received on cash held in the Group's operating account compared to placing funds on term deposit. Account is also taken of the costs associated with early withdrawal of a term deposit should access to cash and cash equivalents be required.

The Group's exposure to interest rate risk and the interest rates (current at the end of each year) on the Group's fair value disclosures missing from financial assets/liabilities at 30 June 2024, along with prior year comparatives, was as follows:

			Fixed interest rate					
30 June 2024	**Interest rate %**	**Floating interest rate $'000**	**0 to 90 days $'000**	**91 to 365 days $'000**	**1 to 5 years $'000**	**over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets								
Cash and cash equivalents (Note 7)	4.64%	229	24,238	–	–	–	21,440	45,907
Other financial assets	5.05%	–	–	50	–	–	–	50
Trade and other receivables	–	–	–	–	–	–	20,722	20,722
Total financial assets		229	24,238	50	–	–	42,162	66,679
Financial liabilities								
Trade and other payables	–	–	–	–	–	–	15,294	15,294
Short term loan	2.37%	–	554	261	–	–	–	815
Equipment Finance Facility	3.45%	–	296	788	731	–	–	1,815
Lease liabilities	4.80%	–	156	491	2,460	9,643	–	12,750
Total financial liabilities		–	1,006	1,540	3,191	9,643	15,294	30,674

			Fixed interest rate					
30 June 2023	**Interest rate %**	**Floating interest rate $'000**	**0 to 90 days $'000**	**91 to 365 days $'000**	**1 to 5 years $'000**	**over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets								
Cash and cash equivalents	4.28%	11,847	35,000	–	–	–	–	46,847
Other financial assets	4.50%	–	–	50	–	–	–	50
Trade and other receivables	–	–	–	–	–	–	13,333	13,333
Total financial assets		**11,847**	**35,000**	**50**	**–**	**–**	**13,333**	**60,230**
Financial liabilities								
Trade and other payables		–	–	–	–	–	8,124	8,124
Short term loan	2.89%	384	–	–	–	–	–	384
Equipment Finance Facility	3.24%	2,803	–	–	–	–	–	2,803
Leases liabilities	4.51%	–	111	389	2,867	9,490	–	12,857
Total financial liabilities		**3,187**	**111**	**389**	**2,867**	**9,490**	**8,124**	**24,168**

As noted above, cash is invested in term deposits of varying maturity terms to maximise interest income as well as to meet the timing of operational cash flow requirements. All term deposits are with the NAB and U.S. Bank, to ensure market interest rates are achieved without compromising the security of funds on deposit.

The analysis below details the impact on the Group's profit after tax and equity if the interest rate associated with the closing balance of financial assets was to fluctuate by the margins below, assuming all other variables had remained constant:

	2024 Post tax profit increase/ (decrease) $'000	2023 Post tax profit increase/ (decrease) $'000
+ 1% (100 basis points)	245	119
- 1% (100 basis points)	(245)	(119)

The range of +1%/-1% as an assumption is based on current macro-market economic conditions in which the group holds its cash and cash equivalent balances.

Credit Risk

Credit risk arises when a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group.

The Group is exposed to credit risk via its cash and cash equivalents and receivables. To reduce risk exposure in relation to its holdings of cash and cash equivalents, they are placed on deposit with the Group's main bankers, the National Australia Bank (S&P Rating AA/A-1+, Moody's rating Aa1/P-1). A change to the Group's bankers requires Board approval. BARDA income receivables have low credit risk as it is a project with USA government.

In 2024, trade receivables has grown and this is expected to continue as commercial product sales to hospitals and distributors increase. The ageing analysis of trade and other receivables is as follows.

	0 – 30 days $'000	30 – 60 days $'000	60 – 90 days $'000	90+ days $'000	Total $'000
2024					
Trade and other receivables	11,768	3,132	4,045	1,777	20,722
2023					
Trade and other receivables	10,629	1,428	640	636	13,333

The Group considers the maximum credit risk from potential default of the counter party to be equal to the carrying amount of the asset. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit loss is not significant.

Liquidity Risk

Liquidity risk arises if the Group encounters difficulty in raising funds to meet its financial liabilities.

The Group is exposed to liquidity risk via its trade and other payables and its trade finance and equipment finance facilities. Responsibility for managing liquidity risk rests with the Board, who regularly review liquidity risk by monitoring the undiscounted cash flow forecasts and actual cash flows provided to them by management. This process is undertaken to ensure that the Group continues to be able to meet its debts as and when they fall due. Contracts are not entered into unless the Board is satisfied that there is sufficient cash flow to fund the additional commitment. The Board determines when reviewing the undiscounted cash flow forecasts whether the Group needs to raise additional working capital from its existing shareholders, the equity capital markets or other available external sources. The Board may also review the timing of internal programs if necessary to moderate cash requirements.

A maturity analysis of trade and other payables is set out below:

30 June 2024	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Trade and other Payables	14,684	610	–	–	15,294
Interest-bearing loans and borrowings*	875	1,086	752	–	2,713
Lease Liabilities	302	917	4,501	13,172	18,892
Total	15,861	2,613	5,253	13,172	36,899

30 June 2023	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Trade and other payables	7,992	122	10	–	8,124
Interest-bearing loans and borrowings*	645	764	1,778	–	3,187
Lease Liabilities	111	389	2,867	9,490	12,857
Total	8,748	1,275	4,655	9,490	24,168

* Interest-bearing loans and borrowings include short term loan and equipment finance loan facility.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure 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 expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group incurs foreign currency expenses predominantly in USD, GBP, EUR and NZD. To reduce foreign currency risk exposure, the Group maintains an amount of cash and cash equivalents in USD, NZD, GBP, EUR, CAD, INR and HKD. SGD denominated payable balances carry some foreign currency risk, however these payable balances are typically infrequent and low in value and are therefore considered to expose the Group to minimal risk. The Group also uses foreign exchange forward contracts on an ad hoc basis to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to three months.

The following table demonstrate the sensitivity to a reasonably possible change in USD, GBP, EUR and NZD exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes of all other currencies is not material.

	Change in AUD rate %	Effect on profit before tax $'000	Effect on pre-tax equity $'000
2024	5.00%	(1,251)	(1,251)
	(5.00%)	1,251	1,251
2023	5.00%	(547)	(547)
	(5.00%)	547	547

Our People

We are working to attract and retain employees with the skills and passion to best serve our markets. This section provides information about our employee benefits obligations. It also includes details of our employee share plans and compensation paid to key management personnel.

Note 23. Employee-related Expenses

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date and pro-rata long service leave for employees with over seven years of service, are recognised in current liabilities. Wages, salaries, annual leave and long service leave are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for pro-rata long service leave for employees with less than seven years of service are recognised in non-current liabilities and are measured as the present value of the expected future payments to be made.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Wages and salaries (including sales commission)	47,913	31,805
Superannuation	2,326	1,345
Share-based payments expense	1,540	1,113
Other	7,654	5,175
	59,433	39,438

Included in other employee-related expenses are mainly payroll tax of $2,523,000 (2023: $1,502,000), health insurance contribution in the US of $1,717,000 (2023: $1,110,000) and recruitment expenses of $1,030,000 (2023: $1,170,000).

Note 24. Share-based Payments

Employee Share-based Payment Plans

The Group provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

The PolyNovo Employee Share Option Plan was in place for the year ended 30 June 2024. Information relating to this Plan is set out below and in the Remuneration Report section of the Directors' Report.

Significant Estimates and Assumptions – Share-based Payments

Estimating fair value for share-based payment transactions requires selection of the most appropriate valuation model, which in turn is dependent on the terms and conditions of the share-based payment granted. Determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, is also required. The models and related assumptions used for estimating the fair value of share-based payment transactions are disclosed below and in the Remuneration Report.

Share Options Granted in 2024

During the year ended 30 June 2024, share options were issued to a number of senior level employees.

The exercise price of the share options is equal to the closing share price as at grant date of PolyNovo Limited shares traded on the ASX.

The share options vest based on PolyNovo Limited achieving a target share price over the performance period, being 1.5 times the grant price for 90 consecutive days at any time from the initial grant date, with an attached service condition. Tranche 1 of all option plans cannot vest or be exercised until twelve months after the commencement date. Tranche 2 of all option plans cannot vest or be exercised until twenty-four months after the commencement date. Tranche 3 of all option plans cannot vest or be exercised until thirty-six months after the commencement date.

The fair value of the share options is estimated at the grant date. Participants are allocated a maximum number of options using a fair value allocation methodology determined by an independent third party using a Black-Scholes methodology. A Monte Carlo simulation-based model simulates the path of the share price according to a probability distribution assumption. After a large number of simulations, the arithmetic average of the outcomes, discounted to the valuation date, is calculated to represent the option value. This model can accommodate complex exercise conditions when the number of options exercised depends on some function of the whole path followed by the share price. The fair value is recognised as an employee expense (with a corresponding increase in equity) over the vesting period. The expense recognised in the Statement of Comprehensive Income for the years ended 30 June 2024 and 30 June 2023 are $1,365,000 and $1,113,000 respectively.

The performance period is five years after commencement date of employment, or the date employment ceases (whichever is sooner). The end of the exercise period is the expiry date for the options.

The dilutive effect, if any, of outstanding options is reflected in the computation of diluted earnings per share.

Notes to Consolidated Financial Statements (CONTINUED)

Our People

Employee share-based payment details are summarised in below table.

30 June 2024	Balance at 1 July 2023	Options granted	Options exercised	Options forfeited	Balance at 30 June 2024	Total vested at end of year	Share-based payments expense ($)
Key management personnel							
Mr Swami Raote	5,000,000	–	–	–	5,000,000	–	780,000
Other employees	3,450,000	1,700,000	–	–	5,150,000	450,000	585,000
Total	8,450,000	1,700,000	–	–	10,150,000	450,000	1,365,000

Details of share options granted during the year ended 30 June 2024 are summarised in below table.

Grant date	Number of options	Exercise price $	Risk-free interest rate %	Volatility %	Expiry date	Weighted average fair value per option
05/02/2024	500,000	$1.880	3.76%	63.94%	05/02/2029	$0.848
12/03/2024	200,000	$1.685	3.62%	66.92%	02/01/2027	$1.322
02/04/2024	500,000	$2.140	3.71%	64.30%	02/04/2029	$1.040
06/05/2024	500,000	$2.050	4.08%	64.22%	06/05/2029	$1.032

Key valuation assumptions for the Employee Share Options:

Parameters	Assumptions
Valuation date	Grant Date
Share price	Closing share price as at the valuation Date
Expected life	Assumed that the share appreciation rights will be exercised at the average exercise date which is the average midpoint between vesting date and option expiry date.
Risk-free interest rate	The risk free interest rates are derived from the Australian Government Bonds as at Valuation Date. The terms to maturity have been selected to align with the expected life of the options.
Dividend yield	The dividend yield is the rate of dividend expressed as a continually compounded percentage of the share price. In determining an appropriate dividend yield, forecasted dividend information provided by the management of PolyNovo Limited has been relied upon.
Expected volatility	A share's volatility measure captures the characteristics of fluctuations in the share's price. The value of options is extremely sensitive to the volatility measure and as a result great care should be taken in determining the appropriate volatility percentage. To accurately value options, a volatility measure should be selected that is most likely to represent the future volatility of the shares during the life of the options: the implied volatility. Accordingly, in determining the expected volatility, the historical market price volatility has been taken into account.
Other	Other assumptions that have not been incorporated into our valuation model include: (i) any change of control events and reorganisation of capital during the relevant performance periods or service periods. (ii) any dilution effect from the issue of options noting that they will not likely have a material impact on the PolyNovo Limited security price

Note 25. Key Management Personnel Disclosures

The key management personnel compensation disclosures required by the *Corporations Act 2001* are provided in the Remuneration Report in the Directors' Report.

(a) Details of Key Management Personnel

The key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the 2023 and 2024 financial years.

PolyNovo's key management personnel are its Directors' and members of the Senior Management team. Details of each Director and Senior Executive, who are classified as key management personnel, are provided in the Remuneration Report.

(b) Compensation by Category: Key Management Personnel

	Consolidated	
	30 June 2024 $'000	**30 June 2023 $'000**
Short term	2,007	2,199
Post-employment – superannuation	119	83
Leave allowances	83	66
Share-based payments	980	907
Termination benefits	–	17
	3,189	3,272

(c) Interests Held by Key Management Personnel

Share options held by key management personnel to purchase ordinary shares have the following expiry dates and exercise prices:

Issue Date	Expiry date	Exercise price	2024 number outstanding	2023 number outstanding
Swami Raote				
29/07/2022	29/07/2025	$1.64	1,000,000	1,000,000
29/07/2022	29/07/2026	$1.64	1,000,000	1,000,000
29/07/2022	29/07/2027	$1.64	1,000,000	1,000,000
29/07/2022	29/07/2028	$1.64	1,000,000	1,000,000
29/07/2022	29/07/2029	$1.64	1,000,000	1,000,000
Subtotal			5,000,000	5,000,000

(d) Loans to Key Management Personnel

No loans have been made to Directors of PolyNovo or to any other key management personnel, including their personally related entities.

(e) Other Transactions with Directors

Kidder Williams Ltd, an entity associated with David Williams, received payment in the amount of $nil (2023: $110,000), GST inclusive. The payment made in prior year was at standard commercial terms and conditions in respect to consulting services provided to PolyNovo Limited in relation to the capital raising.

Other than as noted above, there were no transactions with related parties during the year ended 30 June 2024.

Capital Structure

This section outlines our group structure and includes information about our controlled entities. It provides details of any changes to these investments and their effect on our financial position and performance during the financial year.

Note 26. Parent Entity Information

	Parent	
	30 June 2024 $'000	30 June 2023 $'000
Loss after income tax	(2,329)	(2,365)
Total comprehensive income	(2,329)	(2,365)

Statement of Financial Position

	Parent	
	30 June 2024 $'000	30 June 2023 $'000
Total current assets	110,068	101,114
Total assets	110,068	107,146
Total current liabilities	12,634	8,758
Total liabilities	12,634	8,758
Equity		
Issued capital	191,601	191,591
General reserve	881	(484)
Accumulated losses	(95,048)	(92,719)
Total equity	97,434	98,388

In accordance with the terms and conditions of the NAB facility arrangements disclosed in note 18, the parent entity, PolyNovo Limited, has provided a cross-guarantee in conjunction with wholly owned subsidiaries Novoskin Pty Ltd and Novowound Pty Ltd. The aggregate amount payable by the cross-guarantors is limited to $15,300,000 excluding interest and penalties.

Note 27. Controlled Entities

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

		Ownership interest	
Name	**Principal place of business/Country of incorporation**	30 June 2024 %	30 June 2023 %
PolyNovo Limited	Australia	100%	100%
PolyNovo North America LLC	United States	100%	100%
PolyNovo Biomaterials Pty Ltd	Australia	100%	100%
NovoSkin Pty Ltd	Australia	100%	100%
NovoWound Pty Ltd	Australia	100%	100%
PolyNovo NZ Limited	New Zealand	100%	100%
PolyNovo Singapore Private Ltd	Singapore	100%	100%
PolyNovo UK Limited	United Kingdom	100%	100%
PolyNovo Ireland Ltd	Ireland	100%	100%
PolyNovo Hong Kong Limited	Hong Kong special administrative Region, China	100%	100%
PolyNovo Biomaterials India Private Limited	India	100%	100%

Miscellaneous Information

This section provides other information and disclosures not included in the other sections, for example our external auditor's remuneration, commitments and contingencies and significant events occurring after the reporting date.

Note 28. Auditor's Remuneration

The auditor of PolyNovo Limited is Ernst & Young. The amounts received or due and receivable by Ernst & Young for audit and other services were as follows:

During the year end 30 June 2024, the following fees were paid or payable for services provided by Ernst & Young, the auditor of the company, and its network firms:

	Consolidated	
	30 June 2024 $	30 June 2023 $
Audit Services – Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	347,261	386,520
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm		
– Agreed-upon procedures and other audit engagements	–	–
– Fees for other services	–	–
Total fees to Ernst & Young (Australia)	347,261	386,520
Audit Services – Ernst & Young Overseas Member Firms		
Fees for assurance services that are required by legislation to be provided by the auditor	57,114	27,821
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm		
– Agreed-upon procedures and other audit engagements	–	–
– Fees for other services	–	–
Total fees to overseas member firms of Ernst & Young (Australia)	57,114	27,821
Total audit and other assurance services	404,375	414,341
Total non-audit services	294,127	149,933
Total auditor's remuneration	698,502	564,274

Non-audit services include taxation services and company secretary services.

The Directors are satisfied that the provision of non-audit services during the current period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor's independence was not compromised.

Note 29. Commitments and Contingencies

The Directors are not aware of any contingent liabilities or contingent assets at 30 June 2024. There has been no change in this assessment up to the date of this report.

Note 30. Related Party Transactions

Related party transactions are disclosed under note 25 Key management personnel.

Note 31. Events After the Reporting Period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Consolidated Entity Disclosure Statement
30 June 2024

			Ownership interest	
Entity name	Entity type	Place formed/ Country of incorporation	%	Tax residency
PolyNovo Limited	Body corporate	Australia		Australia
PolyNovo Biomaterials Pty Ltd	Body corporate	Australia	100.00%	Australia
NovoSkin Pty Ltd	Body corporate	Australia	100.00%	Australia
NovoWound Pty Ltd	Body corporate	Australia	100.00%	Australia
PolyNovo NZ Limited	Body corporate	New Zealand	100.00%	New Zealand
PolyNovo Singapore Private Ltd	Body corporate	Singapore	100.00%	Singapore
PolyNovo Hong Kong Limited	Body corporate	Hong Kong Special Administrative Region, China ("Hong Kong SAR")	100.00%	Hong Kong SAR
PolyNovo Biomaterials India Private Limited	Body corporate	India	100.00%	India
PolyNovo UK Limited	Body corporate	United Kingdom	100.00%	United Kingdom
PolyNovo Ireland Limited	Body corporate	Ireland	100.00%	Ireland
PolyNovo North America LLC	Body corporate	United States	100.00%	United States

Directors' Declaration
30 June 2024

1. In the opinion of the Directors PolyNovo Limited (the 'Company'):
   a) The consolidated financial statements and notes that are set out on pages 44 to 85 and the Remuneration Report that are set out on pages 34 to 42 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
      - giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
      - complying with Australian Accounting Standards and Corporations Regulations 2001; and

   b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   c) the consolidated entity disclosure statement required by Section 295(3A) of the *Corporations Act 2001* is true and correct.

2. The directors have been given declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2024.

3. The directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors

Mr David Williams
Chairman

23 August 2024

Independent Auditor's Report

To the Members of PolyNovo Limited

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Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the members of PolyNovo Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of PolyNovo Limited (the Company), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and 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 Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 30 June 2024 and of its 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

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

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

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Recognition of Revenue

Why significant	How our audit addressed the key audit matter

The Group has recognised revenue from the sale of commercial products and revenue from services performed in respect of research and development activities. Revenue from contracts with customers for the year ended 30 June 2024 was $92.1 million.
 	
For sales of commercial products, revenue is recognised upon delivery of the product to the customer. The Group sells to customers in various geographical territories. Commercial product sales have significantly increased this financial year. Services revenue is recognised as the services are delivered.
 	
Notes 2, 3 and 4 of the financial statements outline the Company's accounting policies with respect to revenue recognition and revenue disclosures.
 	
Revenue recognition was considered a key audit matter due to the sales volumes and diversity of customer arrangements entered into by the Group.
	Our audit procedures with respect to the Group's revenue recognition included:
	► Assessed new contracts with customers for terms and conditions that could impact the timing of recognition and measurement of revenue.
	► Assessed the operating effectiveness of the Group's revenue controls by testing certain controls with respect to the initiation and recording of commercial sales transactions.
	► Assessed on a sample basis, whether revenue was correctly recognised based on the products delivered as at 30 June 2024 with reference to supporting documentation including contracts, purchase orders proof of delivery, cash receipts and credit notes.
	► Assessed the Group's performance obligations under the services contracts to check that revenue is recognised only for services provided during the year and at the contracted rate.
	► Using data analytic tools, tested revenue transactions and performed the following:
	  ► correlation analysis between revenue, receivables and cash;
	  ► targeted audit procedures over material items that did not correlate as expected; and
	  ► testing to verify that the cash recorded represents real cash from third party customer
	► Assessed the appropriateness the disclosures in relation to the Group's revenue recognition and disaggregation of revenue in accordance with AASB 15 *Revenues from Contracts with Customers* as outlined in Notes 2, 3 and 4 of the financial statements.

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 other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will 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 on the other information obtained prior to the date of this auditor's report, 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.

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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 Company'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 Company 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

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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 Company 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.

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 34 to 42 of the directors' report for the year ended 30 June 2024

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

Responsibilities

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

Ernst & Young

Ernst & Young

Ashley Butler
Partner
Melbourne
23 August 2024

Shareholder Information
30 June 2024

Additional Information Required by ASX
For the year ended 30 June 2024

Ordinary Shares
As at 13 August 2024 there were 690,232,751 ordinary shares on issue held by 18,816 shareholders.

Each ordinary share carries one vote per share.

Top 20 Shareholders as at 13 August 2024

Shareholder	Number of shares	% Units
HSBC Custody Nominees (Australia) Limited	96,149,727	13.93
J P Morgan Nominees Australia Pty Limited	80,078,534	11.60
Citicorp Nominees Pty Limited	37,720,578	5.46
Moggs Creek Pty Ltd (Moggs Creek Super A/C)	19,010,112	2.75
Lateral Innovations Pty Ltd (Trust A/C	10,924,103	1.58
Mr Anthony Shane Kittel + Mrs Michele Therese Kittel (Kittel Family Super A/C)	8,050,000	1.17
BNP Paribas Noms Pty Ltd	7,622,413	1.10
National Nominees Limited	6,653,041	0.96
Netwealth Investments Limited (Wrap Services A/C)	5,394,880	0.74
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient)	4,533,452	0.66
BNP Paribas Nominees Pty Ltd (Agency Lending A/C)	4,414,903	0.64
Commonwealth Scientific And Industrial Research Organisation	4,081,250	0.59
Mrs Li-Hsien Tsai	3,955,424	0.57
Mr David Kenley	3,755,000	0.54
Mr Paul Gerard Brennan	3,569,796	0.52
Mr Matthew James Avery	3,439,332	0.50
Mr David Kenley	3,139,855	0.45
Dr Marcus James Dermot Wagstaff + Mrs Lara Kate Wagstaff	3,072,166	0.45
Mr Evan Philip Clucas + Ms Leanne Jane Weston (Kuranga Nursery Super A/C)	2,931,149	0.42
Mr Chris Dawborn (Haskali Super Fund A/C)	2,870,271	0.42
Total	311,365,986	45.05

Unquoted Securities

Share Options Over Unissued Shares

As at 30 June 2024, a total of 10,150,000 share options over ordinary shares are on issue held by four employees. Share options do not carry a right to vote.

PolyNovo issued 1,700,000 share options during the year ended 30 June 2024. Details of the share options issued are included in note 24.

Share Awards Over Unissued Shares

As at 30 June 2024, nil share awards over ordinary shares are on issue. Share awards do not carry a right to vote.

The range of shareholders based on number of shares held as at 13 August 2024 is as follows:

Range of Units As at 13 August 2024	Number of holders	Number of shares
1 to 1,000	5,527	2,936,211
1,001 to 5,000	6,289	17,347,402
5,001 to 10,000	2,383	18,549,425
10,001 to 100,000	2,752	116,251,110
100,001 and over	668	535,148,603
	17,619	690,232,751
Holding less than a marketable parcel	197	595

Voting Rights

Clauses 45 to 54 of the Company's Constitution stipulate the voting rights of members. In summary but without prejudice to the provisions of the Constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for each share held by the member.

Quotation of the Company's Shares

PolyNovo has been granted official quotation for its shares on the Australian Securities Exchange (ASX Code: PNV).

Corporate Directory
30 June 2024

Non-executive Chairman	Mr David Williams
Non-executive Directors	Dr Robyn Elliott Ms Christine Emmanuel-Donnelly Mr Leon Hoare Mr Bruce Rathie Mr Andrew Lumsden
Chief Executive Officer	Mr Swami Raote
Company secretary	Mr Lior Harel
Registered office	Unit 2/ 320 Lorimer Street Port Melbourne Victoria 3207 T (03) 8681 4050 F (03) 8681 4099
Share register	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnson Street Abbotsford, Victoria 3067 T 1300 850 505
Auditor	Ernst & Young 8 Exhibition St Melbourne Victoria 3000
Stock exchange listing	PolyNovo Limited shares are listed on the Australian Securities Exchange (ASX code: PNV)
Website	polynovo.com

PolyNovo®

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