

SOMNOMED LIMITED

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Appendix 4D and Half-Year Financial Report

31 December 2021

This half-year report is for the six months ended 31 December 2021. The previous corresponding period is the half-year ended 31 December 2020.

The information in this report should be read in conjunction with the most recent annual financial report.

Results for announcement to the market

Revenues from sale of goods and services, net of discounts	up	\$3,110,051 10.1%	to	\$33,934,143
Revenues from ordinary activities	up	\$2,911,509 9.3%	to	\$34,217,728
Operating profit before corporate, research and business development expenses, other items of income and expenses and income tax	down	(\$416,214) (7.0%)	to	\$5,521,429
Loss from ordinary activities after tax attributable to members	down	(\$3,439,349)	to	(\$2,947,778)
Net loss for the period attributable to members	down	(\$3,439,349)	to	(\$2,947,778)
Dividends		Amount per security		Franked amount per security
Final dividend		- ¢		- ¢
Interim dividend		- ¢		- ¢
Record date for determining entitlements to the dividend		Not applicable		
Brief explanation of any of the figures reported above: Refer to comments in the attached Directors' Report.				
NTA Backing		31 December 2021		31 December 2020
Net tangible asset backing per share		12.5 cents		20.08 cents

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity consisting of SomnoMed Limited and the entities it controlled ('the consolidated entity') for the half-year ended 31 December 2021.

Directors

The names of directors who held office during or since the end of the half-year:

Guy Russo
Neil Verdal-Austin
Amrita Blickstead
Karen Borg
Hilton Brett
Hamish Corlett
Michael Gordon

Overview

- Revenue of \$33.9 million for 1H FY22 (1H FY21: \$30.8 million), an increase of 10% (11% in constant currency) as global business conditions continued to improve, mainly in our North American markets
- SomnoMed continues to forecast +15% revenue growth for FY22
- Group gross margin of 62% (1H FY21: 59%)
- EBITDA¹ fell to \$0.2 million (1H FY21: \$3.2 million), driven by investment in future growth initiatives including in-device technology developments and the expansion of marketing and sales networks
- Net cash outflow for the period of \$3.7 million (1H FY21: outflow of \$4.5 million)
- Total patients treated worldwide now exceeds 675,000
- Cash of \$17.6 million as at 31 December 2021, and well managed as the business invests in its transformational technology initiatives with total investment in technology for the first half of FY22 of \$3 million
- Undrawn debt facilities of \$5 million remain

Financial Review

Net revenue of \$33.9 million increased 10% versus the previous corresponding period as the ongoing rolling impact of the COVID-19 pandemic continued to drive mixed financial and operational performance across the various markets. During the period, Europe and APAC were impacted by the recent wave of Omicron, whilst North America remained largely resilient due to the positive seasonal insurance benefits driving a strong end to the calendar year.

SomnoMed generated an EBITDA¹ for the first half of \$0.2 million (1H FY21: \$3.2 million). The reduction in EBITDA¹ was driven by investment into growth initiatives, including the development of in-device technology, expansion of marketing and sales force networks and an increase in medically targeted advertising and marketing communication.

Net cash outflow for the period of \$3.7 million (1H FY21: \$4.5 million) was primarily due to the expenditure on the above-mentioned growth initiatives.

The balance sheet position remains strong with net cash of \$17.6 million as at 31 December 2021. The robust cash position has allowed management to drive forward with product innovation and advancements to improve customer experience, drive market penetration and set the company up to benefit from the continued normalisation in market conditions.

Investment in technology development continues with total investment specifically related to this of \$3 million for 1H FY22.

¹ EBITDA as adjusted does not include share/option expenses, unrealised foreign exchange gain/(loss) and discontinued operations

Operational Review

Whilst business operating conditions improved in 1H FY22, the Company remains aware of ongoing challenges with the recent Omicron wave and its impact on access to prescribers and hospitals within the health sector.

The Company continues to drive strong engagement within the medical sector, with many in-person and virtual activities, educational events, and congresses during the first half. Our focus on presenting the patient centric benefits of 'COAT™' continues to strengthen SomnoMed's position within the broader OSA market, with the potential to further increase the size of the addressable market by providing an alternative to the traditional default CPAP recommendations by sleep physicians, regardless of the severity of OSA being treated. The Company has continued to deliver product on time, navigating supply and manufacturing challenges due to COVID-19 with minimal impact over the half.

Revenue (A\$000's)	1H FY22	1H FY21	% Change
North America	11,867	9,497	25%
Europe	19,464	18,582	5%
APAC	2,602	2,745	-2%
Total	33,934	30,824	10%

North America

Revenue for the half was \$11.8 million, up 25% compared with the previous corresponding period (up 20% in constant currency terms). During the half, the Company was focused on building up and resourcing our North American operation, with an increase in its sales and business development resources to leverage the current market opportunity.

The recent global CPAP machine shortage has added to that opportunity to engage with those patient groups that may benefit from SomnoMed's product offering. Demand for the Herbst Advance Elite™ was strong in the North American market during the period, and the product continues to increase in contribution to our revenue results.

Europe

Revenue from European operations was up moderately over the previous period with \$19.4 million of revenue generated for the half as positive reimbursement trends offset the impacts of COVID-19 on activity levels.

Most of SomnoMed's markets within Europe were affected by COVID-19 in some way during the period. Holland, Belgium, Norway, France, UK and Switzerland were heavily impacted in Q2 FY22, while others were less so. In the latter part of the half, hospitals and doctors focused much of their attention to COVID-19 patients and patient treatments, and final fittings through our dental partners were also affected with many patient appointment cancellations.

This region remains pivotal to the group with market leadership positions in all key markets. Investment in additional resources will be made as both the medical and dental sectors begin to see what is possible with the new technology and the data that would be derived, that will prove the long-term effectiveness of the SomnoMed treatment for their patients.

Asia Pacific

Asia Pacific revenues declined 2% over the previous period to \$2.6 million, primarily due to the impacts of COVID-19 lockdowns and the recent Omicron wave across Australia. During the half, SomnoMed continued with its clinical education program and its investment in operational system improvements to support the future growth.

SomnoMed Limited
Directors' Report
31st December 2021

Outlook

The Company remains optimistic about trading activity levels and the outlook for the second half of FY22. SomnoMed is committed to its technological transformation and its FY22 guidance²:

- Revenue growth of at least 15%
- EBITDA¹ breaking even as SomnoMed invests for future growth (assuming no change to the current COVID-19 environment in all trading markets)
- Cash investment (non-P&L) in technology innovations is expected to be c.\$8 million

Principal Activity

There were no significant changes in the nature of the Consolidated Entity's principal activities during the half year.

Operating Results

The net loss after income tax expense for the half year ended 31 December 2021 was \$2,952,533 (December 2020: \$491,571). This net loss includes a gain from discontinued operation of Renew Sleep Solutions (RSS) of \$4,755(December 2020: \$111,237).

Dividends Paid or Recommended

There is no dividend paid, declared or recommended.

Significant Changes in State of Affairs

Other than as stated above and in the accompanying financial report, there were no significant changes in the state of affairs of the Consolidated Entity during the reporting period.

After Reporting Date Events

The directors are not aware of any matter or circumstance that has arisen since the end of the half year to the date of this report that has significantly affected or may affect,

- (i) The operations of the company and the entities that it controls,
- (ii) The results of those operations,
- (iii) The state of affairs of the Consolidated Entity in subsequent years.

Future Developments

The Consolidated Entity will continue to produce and sell devices for the oral treatment of sleep related disorders in Australia and overseas.

In early 2022, SomnoMed introduced its first ever in-built technology-enabled oral appliance (Rest Assure[®]), to address the lack of overnight monitoring in continuous open airway therapy (COAT[™]), which has been a major barrier to prescription and reimbursement rates to date.

1. EBITDA does not include share/option expenses, unrealised forex gain/(loss) and discontinued operations
2. Assumes no change to the current COVID-19 environment in all trading markets

Auditor's Independence Declaration

The auditor's independence declaration for the half year ended 31st December 2021 is set out on page 21 of these half yearly accounts.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Russo', written in a cursive style.

Guy Russo (Chairman)

Dated this 22nd February 2022

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General information

The financial report covers SomnoMed Limited as a consolidated entity consisting of SomnoMed Limited and the entities it controlled during the period. The financial report is presented in Australian dollars, which is SomnoMed Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

SomnoMed Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 3
20 Clarke Street
Crows Nest NSW 2065

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 22nd February 2022.

SomnoMed Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2021

	Note	31.12.21 \$	31.12.20 \$
Continuing operations			
Revenue from sale of goods and services, net of discounts	2	33,934,143	30,824,092
Cost of sales		(13,002,504)	(12,736,251)
Gross margin		20,931,639	18,087,841
Sales and marketing expenses		(9,476,706)	(7,062,506)
Administrative expenses		(5,933,504)	(5,087,692)
Operating profit before corporate, research and business development expenses, other items of income and expenses and income tax		5,521,429	5,937,643
Corporate, research and business development expenses		(5,603,109)	(3,193,838)
Depreciation and amortisation	3	(1,892,244)	(1,828,366)
Share-based payments		(640,694)	(172,573)
Interest income	2	349	126
Government grants and other income	2	283,236	482,001
Interest expense		(198,942)	(246,583)
Unrealised foreign exchange (loss)/gain		197,382	(98,499)
(Loss)/profit before income tax		(2,332,593)	879,911
Income tax expense attributable to operating profit		(619,940)	(277,103)
(Loss)/profit after income tax for the half-year from continuing operations		(2,952,533)	602,808
Discontinued operation			
Profit/(loss) from discontinued operation	5	4,755	(111,237)
Net (loss)/profit for the Group		(2,947,778)	491,571
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange translation difference for foreign operations		(825,980)	(924,178)
Other comprehensive loss for the half-year, net of tax		(825,980)	(924,178)
Total comprehensive loss for the half-year attributable to the owners of SomnoMed Limited		(3,773,758)	(432,607)
Earnings per share			
Basic earnings per share (cents)		(3.75)	0.63
Diluted earnings per share (cents)		(3.75)	0.59
Earnings per share – continuing operations			
Basic earnings per share (cents)		(3.76)	0.77
Diluted earnings per share (cents)		(3.76)	0.73
Earnings per share – discontinued operation			
Basic earnings per share (cents)		0.01	(0.14)
Diluted earnings per share (cents)		0.01	(0.14)

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

SomnoMed Limited
Consolidated Statement of Financial Position
As at 31 December 2021

	Note	31.12.21 \$	30.06.21 \$
ASSETS			
Current Assets			
Cash and cash equivalents		17,571,432	21,109,841
Trade and other receivables		10,432,426	10,552,851
Inventories		2,621,157	2,329,882
Lease receivables		220,335	133,977
Total Current Assets		<u>30,845,350</u>	<u>34,126,551</u>
Non-Current Assets			
Trade and other receivables		73,497	78,536
Property, plant and equipment		4,527,112	4,726,686
Intangible assets	6	10,751,264	8,580,618
Deferred tax assets		2,835,514	3,038,225
Right-of-use assets	8	5,146,777	5,615,740
Total Non-Current Assets		<u>23,334,164</u>	<u>22,039,805</u>
Total Assets		<u>54,179,514</u>	<u>56,166,356</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		12,031,577	10,594,343
Borrowings	7	48,748	-
Lease liabilities	9	2,035,102	1,956,015
Provisions		3,033,349	2,640,779
Current tax liabilities		1,057,913	1,005,955
Total Current Liabilities		<u>18,206,689</u>	<u>16,197,092</u>
Non-Current Liabilities			
Trade and other payables		-	11,078
Borrowings	7	2,289,348	2,348,226
Lease liabilities	9	3,801,853	4,603,371
Provisions		842,012	848,288
Total Non-Current Liabilities		<u>6,933,213</u>	<u>7,810,963</u>
Total Liabilities		<u>25,139,902</u>	<u>24,008,055</u>
Net Assets		<u>29,039,612</u>	<u>32,158,301</u>
EQUITY			
Issued capital	4	74,271,179	74,256,794
Reserves		7,575,134	7,760,420
Accumulated losses		(52,806,701)	(49,858,913)
Total Equity		<u>29,039,612</u>	<u>32,158,301</u>

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

SomnoMed Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2021

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2021	74,256,794	7,760,420	(49,858,913)	32,158,301
Loss after income tax for the half-year	-	-	(2,947,778)	(2,947,778)
Other comprehensive loss for the half-year, net of tax	-	(825,980)	-	(825,980)
Total comprehensive income/(loss) for the half-year	-	(825,980)	(2,947,778)	(3,773,758)
<i>Transactions with owners in their capacity as owners:</i>				
Share option reserve on recognition of remuneration options	-	640,694	-	640,694
Shares issued during the period*	14,385	-	-	14,385
Capital reserve adjustment	-	-	(10)	(10)
Balance at 31 December 2021	74,271,179	7,575,134	(52,806,701)	29,039,612

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2020	73,943,294	8,557,703	(48,665,912)	33,835,085
Profit after income tax for the half-year	-	-	491,571	491,571
Other comprehensive loss for the half-year, net of tax	-	(924,178)	-	(924,178)
Total comprehensive income/(loss) for the half-year	-	(924,178)	491,571	(432,607)
<i>Transactions with owners in their capacity as owners:</i>				
Share option reserve on recognition of remuneration options	-	172,573	-	172,573
Shares issued during the period*	52,250	-	-	52,250
Capital reserve adjustment	-	(2)	6	4
Balance at 31 December 2020	73,995,544	7,806,096	(48,174,335)	33,627,305

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

* Shares issued during the period corresponds to receipts of monies from the Employee Share Trust for previously issued shares.

SomnoMed Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2021

	31.12.21	31.12.20
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	34,879,630	29,288,631
Payments to suppliers and employees (inclusive of GST)	(34,555,244)	(25,563,754)
Interest received	112,331	5,857
Interest paid	(259,741)	(271,985)
Income tax paid	(170,568)	(174,869)
Net cash (outflow)/inflow from operating activities	<u>6,408</u>	<u>3,283,880</u>
Cash flows from investing activities		
Payments for intangible assets	(2,534,964)	(596,939)
Payments for property, plant and equipment	(434,572)	(1,078,996)
Proceeds from disposal of assets	-	19,350
Proceeds from term deposits	316,565	
Net cash outflow from investing activities	<u>(2,652,971)</u>	<u>(1,656,585)</u>
Cash flows from financing activities		
Repayment of borrowings	-	(4,871,809)
Payment of finance lease	(1,075,251)	(1,317,561)
Proceeds from issue of shares	14,385	52,250
Net cash outflow from financing activities	<u>(1,060,866)</u>	<u>(6,137,120)</u>
Net decrease in cash and cash equivalents	(3,707,428)	(4,509,826)
Cash at beginning of period	21,109,841	30,174,240
Effects of exchange rate adjustment on cash and cash equivalents	169,019	(588,825)
Cash at end of period	<u>17,571,432</u>	<u>25,075,589</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

	Consolidated	
	31.12.21	31.12.20
	\$	\$
Note 2. Revenue and other income		
Operating activities		
Revenue from sale of goods and services, net of discounts	33,934,143	30,824,092
Interest income	349	126
Government grants*	282,592	464,490
Other income	644	17,511
Total revenue and other income	34,217,728	31,306,219
Government Grants – Europe	-	233,490
Government Grants – Asia Pacific	282,592	231,000
Subtotal government grants*	282,592	464,490
Other income	644	17,511
Grand total government grants and other income	283,236	482,001

*There are no unfulfilled conditions or other contingencies attached to the above-mentioned government grants.

SomnoMed has been granted diverse government grants which were awarded as government incentives due to COVID-19. In North America, we have been granted the PPP Loan (Cares ACT), for which \$146,115 was received in FY20 and has been recognised in FY21 in the consolidated statement of profit or loss. In Europe, SomnoMed was granted a total of \$283,546 across 5 different entities, notably UK, Germany, Switzerland and Sweden in FY21. In the Asia Pacific region, we have recognised a total of \$282,592 (\$231,000 FY21) in Australia (JobKeeper or JobSaver programs). There are no unfulfilled conditions or other contingencies attached to the above-mentioned government grants.

SomnoMed Limited
Notes to the financial statements
31 December 2021

	31.12.21	31.12.20
	\$	\$
Note 3. (Loss)/profit before income tax for the year		
(Loss)/profit before income tax includes the following specific expenses:		
Operating lease rentals (short term leases and low value leases)	16,771	27,786
Employee benefits expense	13,423,929	10,923,795
Research and development expenditure	559,794	400,345
Depreciation – Property, plant and equipment	564,169	691,217
Amortisation of intellectual property	353,880	250,253
Amortisation – AASB16	974,195	886,896
Subtotal depreciation and amortisation	<u>1,892,244</u>	<u>1,828,366</u>

Note 4. Share capital

Issued and fully paid ordinary shares		
82,759,315 (30 June 2020: 82,759,315) ordinary shares		
Balance of issued capital at the beginning of period	84,002,809	84,002,809
Shares issued during period:	-	-
Less issue costs	-	-
Balance of issued capital at end of period	<u>84,002,809</u>	<u>84,002,809</u>
Less shares issued but nil recorded in accounts:		
- 1,842,500 shares (June 2020: 1,842,500) issued at \$1.17	(2,141,100)	(2,155,725)
- 150,000 shares (June 2020: 150,000) issued at \$1.18	(177,000)	(177,000)
- 20,000 shares (June 2020: 20,000) re-issued at \$1.64	(32,800)	(32,800)
- 200,000 shares (June 2020: 200,000) issued at \$1.67	(334,000)	(334,000)
- 20,000 shares (June 2020: 20,000) re-issued at \$1.79	(35,800)	(35,800)
- 456,000 shares (June 2020: 456,000) re-issued at \$1.87	(852,720)	(852,720)
- 350,000 shares (June 2020: 500,000) issued at \$2.09	(731,500)	(992,750)
- 664,000 shares (June 2020: 664,000) re-issued at \$2.184	(1,450,176)	(1,450,176)
- 493,000 shares (June 2020: 493,000) issued at \$2.40	(1,183,200)	(1,183,200)
- 12,500 shares (June 2020: 12,500) issued at \$3.44	(43,000)	(43,000)
- 3,000 shares (June 2020: 3,000) issued at \$3.61	(10,830)	(10,830)
Total advances to executives to acquire shares in the Company	<u>(6,992,366)</u>	<u>(7,268,001)</u>
Cancellation and re-issue of units within Employee Share Trust*	<u>(2,739,264)</u>	<u>(2,739,264)</u>
Issued share capital recorded in the Company accounts	<u>74,271,179</u>	<u>73,995,544</u>

Note 4. Share capital (continued)

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

At 31 December 2021 there were 8,795,500 (30 June 2021: 8,300,000) unissued ordinary shares for which options were outstanding (including 4,198,500 issued ordinary shares are treated as options in these accounts (30 June 2021: 4,211,000)).

* In prior years ordinary shares were issued to the Company's Employee Share Trust on behalf of management of the Company at issue prices up to \$3.61 per share. These shares were financed by non-recourse loans and have been treated as options in the Company's accounts. In June 2020 share units issued by the EST in 2016 at \$3.44 and in 2017 at \$3.61 to existing employees were cancelled and an identical number of units were reissued at \$1.17 to those employees with extended vesting conditions. The amount payable by the EST to the Company as non-recourse loans relating to those prior issues at \$3.44 and \$3.61 per share was recorded as being non recoverable and a new loan at the lesser amount of \$1.17 per share is reflected in these accounts. The additional share option expense incurred in relation to the issue of units at \$1.17 will be brought to account over the revised vesting periods and no further share option expense will be brought to account for the issues at \$3.44 and \$3.61 per share.

Note 5. Segment Operation

Primary Reporting – Business Segments

The Consolidated Entity produces and sells devices for the oral treatment of sleep related disorders primarily in the Asia Pacific region, North America and Europe.

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Consolidated Entity is managed primarily on the basis of geographical segments and the operating segments are therefore determined on the same basis. SomnoMed's operations during the period related to the production and sale of products treating sleep disordered breathing, which is the only business segment.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Consolidated Entity.

Unallocated items

The following items of revenue and expenses are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives and foreign exchange gains and losses; and
- corporate, research and business development expenses;

Note 5. Segment Operation (continued)

Information about reportable segments

Geographical location: 2021	North America \$	Europe \$	Asia Pacific \$	CORE \$	RSS \$	GROUP \$
Total sales/billing revenue	11,948,425	20,491,403	7,490,153	39,929,981	-	39,929,981
Intersegment eliminations	(81,145)	(1,027,022)	(4,887,671)	(5,995,838)	-	(5,995,838)
External sales revenue	11,867,280	19,464,381	2,602,482	33,934,143	-	33,934,143
Segment net profit before tax	1,249,367	4,081,573	387,871	5,718,811	-	5,718,811
Unallocated expense items	-	-	(6,243,803)	(6,243,803)	9,004	(6,234,799)
Depreciation and amortisation	(320,094)	(668,101)	(904,049)	(1,892,244)	-	(1,892,244)
Other income	644	-	282,592	283,236	-	283,236
Interest income	-	236	113	349	7,826	8,175
Interest expense	(63,163)	(67,551)	(68,228)	(198,942)	(12,075)	(211,017)
(Loss)/profit before tax	866,754	3,346,157	(6,545,504)	(2,332,593)	4,755	(2,327,838)
Income tax expense	(169,656)	(303,578)	(146,706)	(619,940)	-	(619,940)
(Loss)/profit after tax	697,098	3,042,579	(6,692,210)	(2,952,533)	4,755	(2,947,778)

Total Assets	9,854,328	22,809,409	21,175,087	53,838,824	340,690	54,179,514
Total Liabilities	4,534,972	12,280,181	7,682,878	24,498,031	641,871	25,139,902

Geographical location: 2020	North America \$	Europe \$	Asia Pacific \$	CORE \$	RSS \$	GROUP \$
Total sales/billing revenue	9,514,530	19,214,988	6,379,494	35,109,012	-	35,109,012
Intersegment eliminations	(17,499)	(632,507)	(3,634,914)	(4,284,920)	-	(4,284,920)
External sales revenue	9,497,031	18,582,481	2,744,580	30,824,092	-	30,824,092
Segment net profit before tax	1,626,980	3,766,004	446,160	5,839,144	-	5,839,144
Unallocated expense items	-	-	(3,366,411)	(3,366,411)	(75,419)	(3,441,830)
Depreciation and amortisation	(276,536)	(681,299)	(870,531)	(1,828,366)	-	(1,828,366)
Other income	141,269	109,732	231,000	482,001	-	482,001
Interest income	-	(606)	732	126	5,851	5,977
Interest expense	(72,009)	(108,890)	(65,684)	(246,583)	(32,481)	(279,064)
(Loss)/profit before tax	1,419,704	3,084,941	(3,624,734)	879,911	(102,049)	777,862
Income tax expense	62,316	(319,719)	(19,700)	(277,103)	(9,188)	(286,291)
(Loss)/profit after tax	1,482,020	2,765,222	(3,644,434)	602,808	(111,237)	491,571

Total Assets	9,164,161	25,708,671	23,603,767	58,476,593	433,172	58,909,765
Total Liabilities	4,333,777	13,277,116	6,661,194	24,272,087	1,010,373	25,282,460

SomnoMed Limited
Notes to the financial statements
31 December 2021

31.12.21 **30.06.21**
\$ \$

Note 6. Intangible assets

Patents and trademarks – at cost	1,842,010	1,854,581
Accumulated amortisation	(1,300,737)	(1,239,956)
	541,273	614,625
Product development expenditure capitalised	2,952,354	1,841,911
Accumulated amortisation	(650,408)	(588,202)
	2,301,946	1,253,709
Software	3,214,155	1,717,773
Accumulated amortisation	(1,488,600)	(1,265,457)
	1,725,555	452,316
Goodwill	6,182,490	6,259,968
	10,751,264	8,580,618

Movements in patents and trademarks

Balance at beginning of reporting period	614,625	653,849
Additions	-	153,688
Amortisation expense	(69,339)	(186,568)
FX impact	(4,013)	(6,344)
Balance at end of reporting period	541,273	614,625

Movements in product development expenditure capitalised

Balance at beginning of reporting period	1,253,709	299,191
Additions	1,110,444	1,050,508
Amortisation expense	(62,207)	(95,990)
Balance at end of reporting period	2,301,946	1,253,709

Movements in software

Balance at beginning of reporting period	452,316	506,483
Additions	1,487,995	409,833
Amortisation expense	(222,334)	(458,265)
FX impact	7,578	(5,735)
Balance at end of reporting period	1,725,555	452,316

Movements in goodwill

Balance at beginning of reporting period	6,259,968	6,469,053
FX impact	(77,478)	(209,085)
Balance at end of reporting period	6,182,490	6,259,968

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expenses per the consolidated statement of profit or loss and other comprehensive income. Goodwill has an indefinite useful life.

Goodwill is allocated to cash generating units, which are the separate legal entities.

SomnoMed Limited
Notes to the financial statements
31 December 2021

	31.12.21	30.06.21
	\$	\$
Note 7. Borrowings		
Current borrowings	48,748	-
Non-current borrowings	2,289,348	2,348,226
	<u>2,338,096</u>	<u>2,348,226</u>

HSBC credit facility

In June 2019, SomnoMed Limited secured a EUR 3 million (A\$4.8 million) credit facility, in the form of an overdraft facility, with HSBC France, Amsterdam Branch. There was no drawdown at 30th June 2021. The overdraft facility comprises an interest calculated at the Main Refinancing Operations rate published by the European Central Bank (provided that, if such interest rate is less than zero, it shall be deemed to be zero), increased with the applicable margin of 2.75%. The Main Refinancing Operations Rate is currently at 0%. In October 2020, the credit facility was fully repaid. The facility remains available to SomnoMed for drawdown at short notice.

Unsecured loan facilities (Government borrowings)

No changes to unsecured loan facilities have occurred since the June 2021 financial close.

	31.12.21	30.06.21
	\$	\$
Note 8. Right-of-use assets		
Right-of-use assets - non-current	5,146,777	5,615,740
	<u>5,146,777</u>	<u>5,615,740</u>
Land and buildings - right-of-use	7,621,342	7,423,016
Lease modifications*	129,128	60,620
Less: Accumulated depreciation	(3,278,816)	(2,562,075)
	<u>4,471,654</u>	<u>4,921,561</u>
Plant and equipment - right-of-use	135,528	135,528
Lease modifications*	-	1,228
Less: Accumulated depreciation	(95,277)	(82,091)
	<u>40,251</u>	<u>54,665</u>
Vehicles - right-of-use	1,396,734	1,218,147
Lease modifications*	-	13,980
Less: Accumulated depreciation	(761,862)	(592,613)
	<u>634,872</u>	<u>639,514</u>

'Land and buildings' include offices utilised as administration offices, laboratories and also the lease for the global manufacturing site. 'Plant and equipment' are comprised mostly of leased printers and, to a smaller extent, intra-oral scanners. 'Vehicles' relate to leased cars to sales and administration staff.

*Lease modifications for surrender of leases, early terminations and changes to lease terms.

Note 8. Right-of-use assets (continued)

	31.12.21	30.06.21
	\$	\$
Balance at the beginning of the period	5,615,740	6,317,333
Additions	376,104	1,026,259
Depreciation expense	(974,195)	(1,803,680)
Lease modifications*	129,128	75,828
Balance at end of the period	<u>5,146,777</u>	<u>5,615,740</u>
Amortisation expense - land and buildings	(776,552)	(1,440,382)
Amortisation expense - plant and equipment	(14,414)	(37,371)
Amortisation expense - vehicles	(183,229)	(325,927)
Total amortisation expense	<u>(974,195)</u>	<u>(1,803,680)</u>

* Lease modifications for surrender of leases, early terminations, and changes to lease terms

Note 9. Lease liabilities

Lease liability - current	2,035,102	1,956,015
Lease liability - non-current	3,801,853	4,603,371
	<u>5,836,955</u>	<u>6,559,386</u>

Note 10. Subsequent Events

The directors are not aware of any matter or circumstance that has arisen since the end of the half year to the date of this report that has significantly affected or may affect,

- (i) The operations of the company and the entities that it controls,
- (ii) The results of those operations,
- (iii) The state of affairs of the Consolidated Entity in subsequent years.

Note 11. Dividends

No dividends were paid during or subsequent to the half-year ended 31st December 2021.

SomnoMed Limited
Declaration by Directors

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Guy Russo', written in a cursive style.

Guy Russo
Chairman

22nd February 2022
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SomnoMed Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of SomnoMed Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman'.

Tim Aman
Director

Sydney, 22 February 2022

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF SOMNOMED LIMITED

As lead auditor for the review of SomnoMed Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of SomnoMed Limited and the entities it controlled during the period.



Tim Aman
Director

BDO Audit Pty Ltd

Sydney, 22 February 2022