



RESONANCE HEALTH LIMITED

(ABN 96 006 762 492)

APPENDIX 4E

PRELIMINARY FINAL REPORT

30 JUNE 2011

This report has been prepared in compliance
with ASX Listing Rule 4.3A

Appendix 4E Preliminary final report

Introduced 1/1/2003. Origin Appendix 4B

Name of entity

Resonance Health Limited

ABN or equivalent company reference

96 006 762 492

Preliminary final
(tick)

✓

Financial year ended
('current period')

30 JUNE 2011

Results for announcement to the market

	Change	2011	2010
Revenues from ordinary activities	Down 4%	\$1,933,311	\$2,006,272
Profit / (loss) from ordinary activities after tax attributable to members	Up 210%	(\$316,829)	(\$102,335)
Net profit / (loss) for the period attributable to members	Up 210%	(\$316,829)	(\$102,335)

No dividend has been declared.

Net tangible assets per security

	2011	2010
Net tangible assets	\$1,938,162	\$2,565,739
Shares Issued	360,991,365	360,431,775
Net tangible assets per share	0.5 cents	0.7 cents

Entities over which control has been gained or lost

Control has not been gained or lost over any entities during the financial year.

COMMENTARY OF RESULTS

Principal Activities

Resonance Health Ltd is an Australian healthcare company specialising in the provision of image analysis services and the development of quantitative magnetic resonance imaging (MRI) diagnostic technology, with a sub-speciality in the liver. All services are provided under our ISO:9001 certified quality management system.

Resonance Health's FerriScan[®] technology for accurately measuring liver iron concentration has regulatory approval in key markets and is used in over 20 countries to assist in the management of patients with iron overload conditions. FerriScan[®] is provided to the market through the Company's central image analysis facility which also provides a range of 'Imaging CRO' services in the pharmaceutical and biotechnology industries.

The Company is also developing imaging tools for the non-invasive assessment of liver fat and liver fibrosis to address a large clinical need for patients with fatty liver disease and viral hepatitis.

Review of Operations and Financial Summary

Revenue for the year ended 30 June 2011 was \$1,745,864, representing a decrease of 5% from the previous year's result of \$1,837,795. Revenue was negatively impacted by the strengthening of the Australian dollar with over 80% of the Company's revenue received in US dollars. The revenue associated with the routine clinical use of FerriScan[®] continues to increase.

Sales volumes increased 14% over the prior year, as measured by the number of image analyses performed by the Company during the year. Sales growth was particularly strong in the UK which saw a 105% growth on the prior year and was enhanced by the launch of the Cardiac T2* test in that market. The US market had a strong 35% growth in sales volume over the prior year. The Cardiac T2* test was cleared for marketing by the FDA in August 2011 and is now available in the US.

A net loss was recorded for the year of \$316,829 compared to a net loss of \$102,335 in the previous financial year. This was largely due to the strength of the Australian dollar and the investment the company is making into the development of new products.

Research and development expenditure during the year totalled \$455,266. This comprised capitalised development costs of \$314,634 that are recognised as an intangible asset on the Statement of Financial Position and expenditure recognised in the Statement of Comprehensive Income of \$140,632. Research and development expenditure was associated with the development of a liver fibrosis test, a liver fat test and improvements to the FerriScan[®] technology.

The Company's development of a magnetic resonance imaging assessment of liver fat is now progressing to an FDA application, which the Company plans to submit in late 2011.

The development of a magnetic resonance imaging test to assess liver fibrosis represents a significant commercial opportunity for the Company. A non-invasive imaging test that has the potential to replace the need for a liver biopsy has strong appeal to both the clinical community and to pharmaceutical companies developing therapies for this market. Resonance Health has collaborated with Pfizer on a clinical trial to assess the Company's imaging technology for the staging of liver fibrosis and results of this work are expected by end of first quarter 2012.

The Company has also been working on gaining greater efficiencies in the FerriScan[®] analysis process and is upgrading the core software platform to support this initiative.

Overall expenditure increased 9% to \$2,436,740 from \$2,238,461 in the previous financial year. The foreign exchange loss of \$146,160 reflected the volatility and strength of the Australian dollar against the currencies in which the company invoices its customers, particularly the US dollar.

Resonance Health has cash at bank of \$1,503,479 at the end of the financial year, compared to \$2,133,884 in the previous financial year and has no debt.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
Sales revenue	2(a)	1,745,864	1,837,795
Other income	2(b)	187,447	168,477
Revenue from ordinary activities		1,933,311	2,006,272
Employee benefits expense		(1,329,333)	(1,265,675)
Consulting and professional services		(33,022)	(72,857)
Research and development		(140,632)	(111,360)
Depreciation expense	2(c)	(21,169)	(24,582)
Marketing and travel		(349,380)	(334,073)
Statutory and compliance		(133,900)	(130,572)
Foreign exchange loss		(146,160)	(16,380)
Other expenses		(283,144)	(282,962)
(Loss) before income tax benefit		(503,429)	(232,189)
Income tax benefit	3	186,600	129,854
(Loss) for the year attributable to owners of the parent		(316,829)	(102,335)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		146,934	35,842
Exchange differences arising on translation of foreign loan		(153,048)	(37,261)
Income tax relating to other components of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		(6,114)	(1,419)
Total comprehensive income for the year attributable to owners of the parent		(322,943)	(103,754)
Basic earnings / (loss) per share (cents per share)	5	(0.1)	(0.0)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
Assets			
Current Assets			
Cash and cash equivalents	6	1,503,479	2,133,884
Trade and other receivables	7	877,619	789,947
Other assets	9	87,618	97,011
Total Current Assets		<u>2,468,716</u>	<u>3,020,842</u>
Non-Current Assets			
Property, plant and equipment	9	46,023	62,387
Intangible assets	10	957,400	642,766
Available for sale investments	11	3,004	3,004
Total Non-Current Assets		<u>1,006,427</u>	<u>708,157</u>
Total Assets		<u>3,475,143</u>	<u>3,728,999</u>
Liabilities			
Current Liabilities			
Trade and other payables	12	427,695	494,269
Other liabilities	13	151,886	26,225
Total Current Liabilities		<u>579,581</u>	<u>520,494</u>
Total Liabilities		<u>579,581</u>	<u>520,494</u>
Net Assets		<u>2,895,562</u>	<u>3,208,505</u>
Equity			
Issued capital	14	67,534,039	67,524,039
Reserves		75,875	81,989
Retained losses		(64,714,352)	(64,397,523)
Total Equity		<u>2,895,562</u>	<u>3,208,505</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		1,795,564	1,887,772
Payments to suppliers and employees		(2,101,537)	(1,951,285)
Grants received		109,305	76,432
Interest received		80,120	66,888
		<hr/>	<hr/>
Net cash provided by/(used in) operating activities	6(i)	(116,548)	79,807
Cash flows from investing activities			
Payments for property, plant and equipment		(4,805)	(46,478)
Payments for intangibles		(472,880)	(544,383)
		<hr/>	<hr/>
Net cash (used in) investing activities		(477,685)	(590,861)
		<hr/>	<hr/>
Net (decrease) in cash held		(594,233)	(511,054)
Foreign exchange effect on cash balances		(36,172)	-
Cash and cash equivalents at 1 July		2,133,884	2,644,938
Cash and cash equivalents at 30 June	6	1,503,479	2,133,884
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	Issued Capital \$	Retained Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total Equity \$
Balance at 1 July 2009	67,514,039	(64,295,188)	17,124	66,284	3,302,259
Loss for the year	-	(102,335)	-	-	(102,335)
Other comprehensive income	-	-	(1,419)	-	(1,419)
Total comprehensive income for the year	-	(102,335)	(1,419)	-	(103,754)
Share Issue	10,000	-	-	-	10,000
Balance at 30 June 2010	67,524,039	(64,397,523)	15,705	66,284	3,208,505
(Loss) for the year	-	(316,829)	-	-	(316,829)
Other comprehensive income	-	-	(6,114)	-	(6,114)
Total comprehensive income for the year	-	(316,829)	(6,114)	-	(322,943)
Share Issue	10,000	-	-	-	10,000
Balance at 30 June 2011	67,534,039	(64,714,352)	9,591	66,284	2,895,562

The accompanying notes form part of these financial statements.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These preliminary consolidated financial statements are prepared in accordance with the accounting principles of a general purpose financial report.

This report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Resonance Health Limited and its subsidiaries during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The financial report has been prepared on a historical cost basis, except for available-for-sale investments which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

Significant accounting judgements and key estimates

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2010.

Adoption of new and revised Accounting Standards

The Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Group's accounting policies.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Revenues and expenses	2011 \$	2010 \$
(a) Sales revenue		
Sales to external customers	1,745,864	1,837,795
(b) Other income		
Grants received	109,305	76,432
Interest received	78,142	92,045
	<u>187,447</u>	<u>168,477</u>
(c) Expenses		
Depreciation of non-current assets	21,169	24,582
Impairment of trade receivables	-	33,556
Disposals of property, plant and equipment	-	328
Impairment of available-for-sale investments	-	(353)
Rental expense on operating leases	60,494	59,534

NOTE 3: Income tax benefit

Income tax recognised in profit or loss

The major components of tax benefit are:

Adjustments recognised in the current year in relation to the current tax of prior years – R&D tax offset	186,600	129,854
	<u>186,600</u>	<u>129,854</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: Segment information

Business Segments

The Group's business segments are determined by differences in the products and services provided.

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2011.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	1,855,169	-	78,142	1,933,311
Segment profit/(loss)	43,866	45,968	(406,663)	(316,829)
Segment assets	978,159	957,400	1,539,584	3,475,143
Segment liabilities	366,307	142,465	70,809	579,581
Other segment information				
Net cash inflow / (outflow) from operating activities	247,078	-	(363,626)	(116,548)
Net cash (outflow) from investing activities	(4,805)	(472,880)	-	(477,685)

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2010.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	1,914,227	-	92,045	2,006,272
Segment profit/(loss)	266,800	18,494	(387,629)	(102,335)
Segment assets	896,697	642,766	2,189,536	3,728,999
Segment liabilities	277,617	172,827	70,050	520,494
Other segment information				
Net cash inflow / (outflow) from operating activities	495,849	-	(416,042)	79,807
Net cash (outflow) from investing activities	(46,478)	(544,383)	-	(590,861)

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: (Loss) per share

	2011	2010
Basic and diluted earnings / (loss) per share (cents)	(0.1)	(0.0)
(a) Loss used in the calculation of basic and dilutive earnings per share	(316,829)	(102,355)
	2011 Number	2010 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings per share	360,769,062	360,246,883
	2011 \$	2010 \$

NOTE 6: Cash and cash equivalents

Deposits at call	503,479	633,884
Term Deposits	1,000,000	1,500,000
	1,503,479	2,133,884

(i) Reconciliation of profit / (loss) for the year to net cash flows from operating activities

(Loss) for the year	(316,829)	(102,335)
Non-cash flows in profit / (loss):		
Depreciation	21,169	24,582
Non cash share bonus	10,000	10,000
Accrued consulting fees	47,672	-
Disposal of property, plant and equipment	-	328
Impairment of available for sale investments	-	(353)
Impairment of trade receivables	-	33,556
Reclassification to investing activities:		
Research and development	140,632	90,240
Changes in net assets and liabilities:		
(Increase)/decrease in trade and other receivables	(87,672)	(106,960)
(Increase)/decrease in other assets	9,393	(19,110)
Increase/(decrease) in trade creditors and other payables	(66,574)	149,146
Increase/(decrease) in other liabilities	125,661	713
Net cash (used in)/provided by operating activities	(116,548)	79,807

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2011 \$	2010 \$
NOTE 7: Trade and other receivables		
Current		
Trade receivables	453,320	526,315
Allowance for impairment	(26,632)	(33,556)
	<u>428,688</u>	<u>492,759</u>
Other receivables	450,931	297,188
	<u><u>877,619</u></u>	<u><u>789,947</u></u>

NOTE 8: Other assets

Current		
Prepayments	29,498	38,891
Security deposits	58,120	58,120
	<u>87,618</u>	<u>97,011</u>

NOTE 9 Property, plant and equipment

Fixtures and equipment		
At cost	232,381	227,575
Less: Accumulated depreciation	(186,358)	(165,188)
Total property, plant and equipment	<u>46,023</u>	<u>62,387</u>

Reconciliation

Reconciliation of the carrying amount of each class of property, plant and equipment is set out below:

Fixtures and Equipment		
Balance at the beginning of the year	62,387	61,103
Additions	4,805	26,194
Disposals	-	(328)
Depreciation expense	(21,169)	(24,582)
Carrying amount at the end of the year	<u><u>46,023</u></u>	<u><u>62,387</u></u>

	2011	2010
	\$	\$
NOTE 10 Intangible assets		
Development expenditure	957,400	642,766

NOTE 11: Available for sale investments

Non current – Carried at fair value

Shares in listed corporations	14,337	14,337
Less: Impairment	(11,333)	(11,333)
	<u>3,004</u>	<u>3,004</u>

NOTE 12: Trade and other payables

Current

Trade payables	79,675	126,966
Related party payables	61,005	132,183
Sundry creditors and accruals	287,105	235,120
	<u>427,695</u>	<u>494,269</u>

NOTE 13: Other liabilities

Current

Unearned income	151,886	26,225
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NOTE 14: Issued Capital

	2011		2010	
	Number	\$	Number	\$
(a) Issued and paid up capital	360,991,365	67,534,039	360,431,775	67,524,039

Movements during the period

Ordinary shares	Number of shares	Issue price	\$
Balance at the beginning of the financial year	360,431,775		67,524,039
Shares issued to Managing Director			
Share issue to Managing Director	559,590		10,000
Total	<u>360,991,365</u>		<u>67,534,039</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: This report is based on accounts to which one of the following applies.

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

Colin McDonald
Company Secretary