



RESONANCE HEALTH LIMITED

(ABN 96 006 762 492)

APPENDIX 4E

PRELIMINARY FINAL REPORT

30 JUNE 2014

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)

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Financial year ended ('current period')

30 JUNE 2014

Results for announcement to the market

	Change	2014	2013
Revenues from ordinary activities	Up 35%	\$2,309,036	\$1,709,229
Loss from ordinary activities after tax attributable to members	Improved 65%	(\$72,415)	(\$204,481)
Loss for the period attributable to members	Improved 65%	(\$72,415)	(\$204,481)

No dividend has been declared.

Net tangible assets per security

	2014	2013
Net tangible assets	\$1,775,312	\$810,572
Shares Issued	386,541,784	360,991,365
Net tangible assets per share	0.46 cents	0.22 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 development of quantitative magnetic resonance imaging (MRI) diagnostic technology, with a sub-speciality in the liver and the provision of image analysis laboratory services.

Review of Operations and Financial Summary

The Company is pleased to report the following for the financial year 2013/14.

Highlights:

- Net loss for the year was significantly reduced down to \$72,415 (2013: Loss \$204,481).
- 50% increase in sales revenue.
- FerriScan and Services business segment profit of \$661,665 (2013: Profit \$70,723).
- Strong sales and profits for 2nd half of the year.
- Cash on hand at 30 June was \$2,097,607.
- Capital raise of \$1.28m.
- 32% increase in the volume of work.
- 50+ new FerriScan radiology facilities set up during the year.
- HepaFat-Scan was FDA cleared for marketing, listed on the ARTG and gained CE Mark.
- HepaFat-Scan commercialisation commenced with US and Australian customers piloting the product.

Financials:

A net loss was recorded for the year of \$72,415 compared to a net loss of \$204,481 in the previous financial year.

Sales revenue was \$2,284,565, an increase of 50% over the prior year due to an increase in the volume of work. Total income was 35% higher than the prior year. The Company received no Export Market Development Grant (EMDG) in the FY 2013/14 compared to \$146,051 received in the previous year. The FerriScan and Services Business Segment reported a profit of \$661,665 compared to a profit of \$70,723 in the previous financial year, an increase of 836%.

Normal operating expenses (excluding depreciation, amortisation, foreign exchange expense and due diligence onetime costs) were 3% lower than the prior year. Total expenditure for the year was \$2,384,818 compared to the prior year total expenditure of \$2,070,539 for the following reasons:

	<u>Year on Year difference</u>
• amortisation charges are higher \$89,326 (2013: \$18,475)	(\$70,851)
• foreign exchange expense of \$53,879 compared to prior year foreign exchange gain of \$156,584	(\$210,463)
• onetime charge for due diligence cost of \$119,573	(\$119,573)
	<hr/> (\$499,617)

The loss for the year also reflects a reduced income tax benefit of \$3,367 compared to \$156,911 in the previous financial year as the Group moves into a tax paying position.

Resonance Health has cash at bank of \$2,097,607 at the end of the financial year compared to \$1,092,943 in the previous financial year and has no debt.

Cash flows from operating activities generated positive cash of \$64,239. This excludes cash expenditure of \$94,629 associated with the due diligence of a potential acquisition target.

No Research and Development Tax Rebate was received in the FY 2013/14 year compared to \$188,645 received in the FY 2012/13.

The Company raised \$1,277,521 (less costs) via the issue of 25,550,419 million shares at 5 cents per share.

Research and development expenditure focused on the Company's HepaFat-Scan and fibrosis products totalled \$376,409 during the year (2013: \$343,047). This comprised capitalised development costs of \$190,404 (2013: \$205,337) that are recognised as an intangible asset on the Statement of Financial Position and expenditure of \$89,326 (2013: \$34,677) amortisation expense, \$70,874 (2013: \$56,212) recognised in

Research and Development in the Statement of Comprehensive Income and \$25,804 (2013: \$46,821) recognised in Employee Benefits.

FerriScan:

FerriScan is a patent protected software medical device used to assess the amount of iron in the liver through the analysis of MRI images. The FerriScan software is used at the Company's ISO 13485 certified central facility to provide an image analysis and reporting service to hospitals and pharmaceutical companies around the world. We are currently providing FerriScan analysis and reporting services to clients in over 20 countries and in the last 12 months we have seen considerable growth in the number of FerriScan clients.

During the year sales volumes increased 32% over the previous financial year and over 50 new radiology facilities were set up for FerriScan imaging. Collaborative programs with pharmaceutical companies have expanded the availability of the FerriScan services to new markets.

Sales revenue for the year ended 30 June 2014 was \$2,284,565 representing an increase of 49% from the previous year's result of \$1,527,270. The Company completed a record number of 5,596 FerriScan images up 32% from prior year's 4,247 images. Pre-paid revenue received in the prior year of \$244,480 was earned for accounting purposes and recognised as revenue during the current year.

Receipts from customers were \$2,179,241 up 17% from the previous year's result.

Variations in volume growth and revenue growth are the result of changes in the mix of services provided. Contracts with pharmaceutical companies include project management and data management services in addition to the FerriScan analysis and reporting services. Growth in the routine use of FerriScan by hospitals does not include these additional project related services.

HepaFat-Scan:

HepaFat-Scan is a software medical device for the measurement of fat in the liver addressing the rapidly growing fatty liver market. HepaFat-Scan was cleared for marketing by the US Food and Drug Administration (FDA) in Dec 2013, was listed on the Australian Register of Therapeutic Goods (ARTG) in May 2014 and gained the CE Mark in May 2014 for marketing approval in Europe. Commercialisation activities have focused on the following activities:

- Completion of a US market access report which has expanded the potential markets for HepaFat-Scan and is directing our initial target marketing activities.
- Engaging with the Company's existing customer base to use HepaFat-Scan for patients with fatty liver related disorders. Several customers are now piloting HepaFat-Scan in the US and Australia.
- Engaging with pharmaceutical companies developing therapies to address fatty liver disease. The Company's ISO 13485 certified core lab is ideally suited to provide services for pharmaceutical companies conducting clinical trials where a determination of the amount of fat in the liver is required. Resonance Health has been providing services to clinical trials for over 10 years.
- An agreement has been reached in principal with a leading US hospital regarding an independent validation study of HepaFat-Scan.
- Work has commenced to further automate the use of the HepaFat-Scan software, enabling scale up for large volume use. Many countries in Asia are now experiencing a rapidly growing prevalence of fatty liver disease and the Company is developing a solution to provide a low cost option to these markets.

Liver Fibrosis:

Resonance Health is also developing imaging tools for the quantification of liver fibrosis using MRI technology. A non-invasive alternative to a liver biopsy to assess the degree of liver fibrosis is a large unmet need.

The Company has conducted a number of studies which have shown some promising results. The most recent work has focused on the assessment of contrast-enhanced images to detect subtle features within the images which distinguish fibrosis. Whilst this work has not been finalised, to date it has not provided results which are better than those previously obtained. Using non-contrast enhanced images, the Company's technology accurately scored the level of liver fibrosis in 90% of the 29 cases. However, when tested with a separate set of images, the same results could not be achieved. The Company is undertaking further investigation into understanding the less than satisfactory results on the second measurements.

While the Company's liver fibrosis product is not currently at a position to be commercialised, the results are encouraging and the Company is still pursuing its objectives in regard to the development of a unique and novel MRI test to accurately assess the degree of liver fibrosis.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
Sales revenue	2(a)	2,284,565	1,527,188
Other income	2(b)	24,471	181,959
Employee benefits expense		(1,323,033)	(1,376,376)
Consulting and professional services		(63,877)	(61,068)
Research and development		(70,874)	(56,212)
Amortisation expense		(89,326)	(34,677)
Depreciation expense		(19,242)	(18,475)
Marketing and travel		(173,232)	(218,641)
Statutory and compliance		(139,345)	(146,186)
Foreign exchange (loss)/gain		(53,879)	156,584
Due diligence expense		(119,573)	-
Other expenses		(332,437)	(315,488)
Loss before income tax benefit		(75,782)	(361,392)
Income tax benefit	3	3,367	156,911
Loss for the year attributable to owners of the parent		(72,415)	(204,481)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(9,249)	(59,079)
Exchange differences arising on translation of foreign loan		9,827	(61,495)
Income tax relating to other components of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		578	(120,574)
Total comprehensive income for the year attributable to owners of the parent		(71,837)	(325,055)
Basic earnings / (loss) per share (cents per share)	5	(0.02)	(0.1)

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	2014 \$	2013 \$
Assets			
Current Assets			
Cash and cash equivalents	6	2,097,607	1,092,943
Trade and other receivables		499,399	388,631
Other assets		24,602	24,524
Total Current Assets		<u>2,621,608</u>	<u>1,506,098</u>
Non-Current Assets			
Plant and equipment	7	29,448	44,302
Intangible assets	8	1,563,284	1,462,204
Available-for-sale investments	9	3,004	3,004
Other assets	10	59,099	59,099
Total Non-Current Assets		<u>1,654,835</u>	<u>1,568,609</u>
Total Assets		<u>4,276,443</u>	<u>3,074,707</u>
Liabilities			
Current Liabilities			
Trade and other payables	11	460,429	407,985
Current tax liability		144,316	31,734
Provisions	12	48,610	-
Other liabilities	13	244,480	313,805
Total Current Liabilities		<u>897,835</u>	<u>753,524</u>
Non-Current Liabilities			
Provisions	12	40,013	80,222
Total Non-Current Liabilities		<u>40,013</u>	<u>80,222</u>
Total Liabilities		<u>937,848</u>	<u>833,746</u>
Net Assets		<u>3,338,595</u>	<u>2,240,961</u>
Equity			
Issued capital	14	68,703,510	67,534,039
Reserves		(105,066)	(105,644)
Accumulated losses		(65,259,849)	(65,187,434)
Total Equity		<u>3,338,595</u>	<u>2,240,961</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Issued Capital \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2012	67,534,039	(51,354)	66,284	(64,982,953)	2,566,016
Loss for the year	-	-	-	(204,481)	(204,481)
Other comprehensive income	-	(120,574)	-	-	(120,574)
Total comprehensive income for the year	-	(120,574)	-	(204,481)	(325,055)
Share Issue	-	-	-	-	-
Balance at 30 June 2013	67,534,039	(171,928)	66,284	(65,187,434)	2,240,961
Loss for the year	-	-	-	(72,415)	(72,415)
Other comprehensive income	-	578	-	-	578
Total comprehensive income for the year	-	578	-	(72,415)	(71,837)
Share Issue	1,169,471	-	-	-	1,169,471
Balance at 30 June 2014	68,703,510	(171,350)	66,284	(65,259,849)	3,338,595

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		2,179,241	1,860,846
Payments to suppliers and employees		(2,134,816)	(2,096,671)
Due diligence expense		(94,629)	-
Grants received		-	146,051
Interest received		19,814	38,157
Income tax received		-	188,645
		<hr/>	<hr/>
Net cash (used in)/provided by operating activities		(30,390)	137,028
		<hr/>	<hr/>
Cash flows from investing activities			
Payments for plant and equipment		(4,389)	(25,625)
Payments for intangible assets		(190,406)	(205,337)
		<hr/>	<hr/>
Net cash used in investing activities		(194,795)	(230,962)
		<hr/>	<hr/>
Cash flows from financing activities			
Share issues		1,277,521	-
Share issue costs		(48,672)	-
		<hr/>	<hr/>
Net cash provided by financing activities		1,228,849	-
		<hr/>	<hr/>
Net decrease in cash held		1,003,664	(93,934)
Foreign exchange effect on cash balances		1,000	6,703
Cash and cash equivalents at the beginning of year		1,092,943	1,180,174
Cash and cash equivalents at the end of year	6	2,097,607	1,092,943
		<hr/>	<hr/>

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 2014 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 apply to the consolidated financial report for the year ended 30 June 2014.

Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 30 June 2014

The Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period.

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

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new standards and interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no material impact, of new and revised standards and interpretations on the company, and therefore, no change is necessary to Group accounting policies.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Revenues	2014 \$	2013 \$
(a) Sales revenue		
Sales to external customers	2,284,565	1,527,188
(b) Other income		
Grants received	-	146,051
Interest received	24,471	35,908
	<u>24,471</u>	<u>181,959</u>

NOTE 3: Income tax benefit

The major components of tax benefit are:

Current taxation	(112,582)	(31,734)
R&D tax offset	115,949	188,645
	<u>3,367</u>	<u>156,911</u>

NOTE 4: Segment information

Business Segments

The chief operating decision maker is considered to be the Company's Board of Directors. The Group's operating segments are determined by differences in the type of activities performed. The financial results of the Group's operating segments are reviewed by the Board of Directors on a quarterly basis.

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2014.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	2,284,565	-	24,471	2,309,036
Segment profit/(loss)	661,665	(96,678)	(640,769)	(75,782)
Segment assets	499,399	1,563,282	2,213,761	4,276,443
Segment liabilities	849,225	-	88,623	937,848

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: Segment information (continued)

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2013.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	1,673,279	-	35,908	1,709,147
Segment profit/(loss)	70,723	(132,044)	(229,990)	(361,392)
Segment assets	388,631	1,462,204	1,223,872	3,074,707
Segment liabilities	590,816	48,599	194,331	833,746

NOTE 5: Gain/(loss) per share

	2014	2013
Basic gain/(loss) per share (cents)	(0.02)	(0.1)
(a) Loss used in the calculation of basic earnings per share	(72,415)	(204,481)
	2014 Number	2013 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings per share	363,572,613	360,991,365

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2014 \$	2013 \$
NOTE 6: Cash and cash equivalents		
Deposits at call	497,607	492,943
Term Deposits	1,600,000	600,000
	2,097,607	1,092,943
 (i) Reconciliation of profit / (loss) for the year to net cash flows from operating activities		
Loss for the year	(72,415)	(204,481)
Non-cash flows in loss:		
Depreciation expense	19,242	18,475
Amortisation expense	89,326	34,677
Changes in net assets and liabilities:		
(Increase)/decrease in trade and other receivables	(111,191)	240,927
(Increase)/decrease in other assets	(78)	2,446
Increase/(decrease) in other non-current assets	-	(708)
Increase/(decrease) in trade and other payables	1,469	29,669
Increase in current tax liability	112,582	31,734
Increase/(decrease) in other liabilities	(69,325)	(15,711)
Net cash provided by operating activities	(30,390)	137,028

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2014 \$	2013 \$
NOTE 7 Plant and equipment		
Fixtures and equipment		
At cost	273,820	269,432
Less: Accumulated depreciation	(244,375)	(225,130)
	29,448	44,302
	29,448	44,302

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	44,302	37,152
Additions	4,389	25,625
Depreciation expense	(19,242)	(18,475)
Carrying amount at the end of the year	29,448	44,302
	29,448	44,302

NOTE 8: Intangible assets

Development expenditure

At cost	1,687,285	1,496,881
Less: Accumulated amortisation	(124,001)	(34,677)
	1,563,284	1,462,204
	1,563,284	1,462,204

Reconciliation

Reconciliation of the carrying amount of each class of Intangible assets is set out below:

Intangible assets		
Balance at the beginning of the year	1,462,204	1,291,544
Additions	190,406	205,337
Amortisation expense	(89,326)	(34,677)
Carrying amount at the end of the year	1,563,284	1,462,204
	1,563,284	1,462,204

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2014 \$	2013 \$
NOTE 9: Available for sale investments		
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 10: Other Non-current assets		
Deposits paid	<u>59,099</u>	<u>59,090</u>
NOTE 11: Trade and Other Payables		
Trade payables	136,618	256,494
Sundry creditors and accruals	323,811	151,491
	<u>460,429</u>	<u>407,985</u>
NOTE 12: Provisions		
Long service leave – current	48,610	-
Long service leave – non-current	40,013	80,222
	<u>88,623</u>	<u>80,222</u>
NOTE 13: Other liabilities		
Unearned income	<u>244,480</u>	<u>313,805</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: Issued Capital

	Number	Value
a) Issued and paid up capital	386,541,784	\$68,703,510
Movements in ordinary shares during the year		
Balance at the beginning of the year	360,991,365	\$67,534,039
Shares issued at 5 cents per share	25,550,419	\$1,169,471
Balance at the end of the year	386,541,784	\$68,703,510

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <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. |

Adrian Bowers
CFO & Company Secretary