



RESONANCE HEALTH LIMITED

(ABN 96 006 762 492)

FINANCIAL REPORT

30 JUNE 2016

Corporate Information

ABN 96 006 762 492

Directors

Dr Martin Blake
Non-executive Chairman

Mr Simon Panton
Non-executive Director

Dr Jason Loveridge
Non-executive Director

Company secretary

Mr Adrian Bowers

Securities exchange listing

Resonance Health Limited
shares are listed on the
Australian Securities Exchange.
ASX Code: RHT

Registered office and Principal place of business

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Facsimile: +61 8 9286 1179

Postal address

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NEDLANDS WA 6909

Website and e-mail address

www.resonancehealth.com
Email: info@ferriscan.com

Auditors

HLB Mann Judd
Level 4,
130 Stirling Street
PERTH WA 6000

Share registry

Advanced Share Registry Ltd
110 Stirling Highway
NEDLANDS WA 6009
Tel: +61 8 9389 8033
Fax: +61 8 9389 7871

Bankers

National Australia Bank Limited

Solicitors

Steinepreis Paganin
Level 4, The Reed Building
16 Milligan Street
PERTH WA 6000

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DIRECTORS' REPORT

The Directors present their report on the Group, consisting of Resonance Health Limited (the Company) and the entities it controlled, together with the annual financial report for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

Directors

The names, qualifications and experience of Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dr Martin Blake
MBBS,FRANZCR,
FAANMS, MBA, GAICD

Position: Chairman — Independent and Non-Executive (appointed as Director 4 October 2007 and as Chairman 16 December 2010)

Experience: Dr Blake is a Radiologist and Nuclear Physician and brings significant technical and industry experience to Resonance Health. Dr Blake received FAANMS as a post nominal in recognition of his Nuclear Medicine Specialist training undertaken in 1994 & 1995.

He has been a Partner of Perth Radiological Clinic since 1997 and is currently the Chairman of that Company.

Dr Blake has an MBA from Melbourne University, is a Graduate of the Australian Institute of Company Directors and holds directorships on a number of private Company boards.

Other current directorships:

None

Former directorships in last 3 years:

None

Special responsibilities:

Chairman of the Audit Committee

Chairman of the Remuneration Committee

Dr Jason Loveridge
B.Sc, PhD, FRSM

Position: Director — Non-Executive (appointed 7 February 2013)

Experience: Dr. Loveridge FRSM has a Ph.D. in Biochemistry, a B.Sc. in Biochemistry and Microbiology (Class II/I Honours) and is a Fellow of the Royal Society of Medicine.

Dr. Loveridge has been working with young, growth orientated businesses in the biotech and medtech industries for over 20 years. As an active venture investor he established a lengthy track record of successful participation in European, US and Israeli based healthcare companies. Based in Europe he also has considerable international experience at board level and a particular interest in business development, mergers & acquisitions.

Other current directorships:

Actinogen Limited

Former directorships in last 3 years:

None

Special responsibilities:

Member of the Audit Committee

Member of the Remuneration Committee

DIRECTORS' REPORT (Cont'd)

Mr Simon Panton	<p>Position: Director — Non-Executive (appointed 5 October 2009)</p> <p>Experience: Mr Panton has been a strong supporter of the Company and the FerriScan technology over a number of years and is a major shareholder of Resonance Health. Mr Panton brings skills in business and marketing having run his own successful business.</p> <p>Other current directorships:</p> <p>None</p> <p>Former directorships in last 3 years:</p> <p>None</p> <p>Special responsibilities:</p> <p>Member of the Audit Committee</p> <p>Member of the Remuneration Committee</p>
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Management

Mr Sander Bangma M.Sc, DipMgt	<p>Position: General Manager of Operations (appointed 31st January 2015)</p> <p>Experience: Mr Bangma joined Resonance Health in 2005 and has been appointed General Manager. He holds a Master's Degree in Computer Science and has completed a Diploma in Management. Throughout his time with Resonance Health he has gained a wealth of experience in the day-to-day operations of the Company. Mr Bangma previously held a dual role in the Company as Development Manager and Service Centre Manager. In these roles his responsibilities included overseeing all software medical device development activities, IT infrastructure and the Company's Intellectual Property portfolio, as well as all facets of Resonance Health's analysis service provision. He continues to hold overall responsibility for these areas.</p>
Mrs Melanie Baxter BA (Hons)	<p>Position: Marketing Director UK Based (appointed 31st January 2015)</p> <p>Experience: Mrs Baxter is a marketing communication specialist who has worked for multinational clients up to Board level. Melanie has worked with Resonance Health since 2005. With 20 years of strategic communication, marketing and sales experience, particularly in the medical sector, Melanie develops and implements dynamic global marketing and PR strategies. Her international network of contacts in the clinical and patient communities ideally positions Melanie to develop business opportunities and drive growth in Resonance Health's target markets.</p>
Mr Adrian Bowers B.Bus, CPA, Chartered Secretary	<p>Position: Company Secretary and Chief Financial Officer (appointed 25th November 2013)</p> <p>Experience: Mr Bowers has experience in managing the financial affairs of public corporations across a diverse range of industries.</p> <p>Mr Bowers holds a Bachelor of Business, is a CPA and qualified Chartered Secretary.</p>
Mrs Celine Royet Pharm. D	<p>Position: Quality Assurance and Regulatory Affairs Manager (appointed 1st June 2015)</p> <p>Experience: Mrs Royet recently joined Resonance Health as the Quality Assurance & Regulatory Affairs Manager. Celine has over 12 years of experience in the pharmaceutical and medical devices industry in Europe (France & UK) and Australia. She is a Doctor of Pharmacy (France) and holds an additional Masters Degree specialised in QA/QC for cell therapy and gene therapy products.</p>
Dr Timothy St Pierre B.Sc(Hons), PhD	<p>Position: Chief Scientific Officer</p> <p>Experience: Dr St Pierre is widely published in the field of iron in medicine and biology and has a reputation as a key opinion leader in the understanding of the fundamental properties of the iron deposits that occur in iron overload diseases. Dr St Pierre, a Professor at The University of Western Australia, led the team which developed the FerriScan technology. Dr St Pierre has strong links with international key opinion leaders in the field of iron overload diseases and regularly participates in international research collaborations.</p>

DIRECTORS' REPORT (Cont'd)

Interests in the Shares of the Company

The following relevant interests in shares of the Company were held by the Directors at balance date. There has been no change in Directors' and executives' shareholdings to the date of this report.

	Number of fully paid ordinary shares
<i>Directors</i>	
Dr M Blake	6,464,677
Dr J Loveridge	-
Mr S Panton	65,966,163
Total	<u>72,430,840</u>
 <i>Management</i>	
Dr T St Pierre	6,168,500
Mr S Bangma	89,126
Mrs M Baxter	30,303
Mr A Bowers	89,126
Mrs C Royet	-
Total	<u>6,377,055</u>

Incentive Shares

The Company has an Employee Share Plan (ESP) which was adopted at the Annual General Meeting held on 27th November 2014. In total 764,699 shares were issued to Staff during the year under the ESP (2015: 363,636 Shares).

No shares were issued as part of remuneration to Directors.

Dividends Paid or Recommended

No dividend was paid or declared for the financial year.

Principal Activities

The Company's business involves the development and commercialisation of technologies and services for the quantitative analysis of radiological images in a regulated and quality controlled environment.

The Company's core product is FerriScan, a non-invasive liver diagnostic technology used for the measurement of iron in the liver.

DIRECTORS' REPORT (Cont'd)

Review of Operations and Financial Summary

The Company is pleased to report the following for the financial year 2015/16.

Highlights

- ✓ The year ended with record analysis volumes for the month, quarter, and year.
- ✓ Revenue and receipts from customers were both higher than the previous year.
- ✓ 25 new Radiology Centres were established for Resonance Health services – up 25% from previous year.
- ✓ Chief Scientific Officer, Professor Tim St Pierre, received two prestigious awards for the Company:
 - Western Australian Entrepreneur of the Year
 - Thalassaemia International Federation's Panos Englezos Award
- ✓ The Resonance Health team was further strengthened with core new roles filled by talented recruits - Scientific Research Officer, Clinical Research Manager, Account Manager, a US Consultant, a German Consultant and a new Technical Analyst.
- ✓ A record number of targeted conferences were attended to showcase and promote our technologies and build stakeholder and Key Opinion Leader relations – a total of 17 conferences spanning eight countries.
- ✓ Engagement in numerous collaborative research studies and a new pharmaceutical company clinical trial.
- ✓ Identified and commenced work towards potential new markets and products to expand the Company's portfolio.
- ✓ The position of FerriScan® as the global gold standard for liver iron concentration measurement was reinforced with endorsements in a variety of scientific publications and clinical guidelines, such as the UK Standards of Care for Thalassaemia.

Financials

Sales revenue of \$2,547,685 was higher than the prior year. Other income was significantly lower than the prior year as a result of interest income decreasing by \$16,579 and the absence of grants during the 2015/2016 financial year. In the prior year the Company received an Export Market Development Grant of \$86,934 and the Western Australian Innovator of the Year grant of \$75,000. Grants are actively being sourced for the 2016/2017 financial year.

Operating expenses (excluding foreign exchange) were 18% or \$469,818 higher than the prior year. Total expenditure, excluding foreign exchange gain/loss for the year was \$3,041,375 compared to the prior year total expenditure of \$2,571,557. The operating expense increase was a result of increased marketing activity (with a year on year increase in marketing and travel expense of \$409,807) and increased staff as the company undertakes more Research and Development and clinical studies (a year on year increase in employee benefits expense of \$126,029).

Research and Development expenditure totalled \$672,914 during the year up from \$390,829 in the previous year. This comprised capitalised development costs of \$277,074 that are recognised as an intangible asset on the Statement of Financial Position and expenditure of \$132,927 amortisation expense, \$111,157 recognised in Research and Development in the Statement of Comprehensive Income and \$151,756 recognised in employee benefits.

Resonance Health had cash at bank of \$2,512,441 at the end of the financial year compared to \$2,797,203 in the previous year and has no debt. Receipts from customers were \$2,513,564; up from the previous year's result. Cash flows from operating activities generated positive cash and the services business segment reported a profit.

A net loss was recorded for the year of \$384,366 compared to a net profit of \$463,234 in the previous financial year. The net loss was a direct result of strategic future investment in the Company; with a strong focus on Research and Development to extend the Company's services and improve efficiencies, as well as an increase in targeted Marketing activities. A key component of these increased activities included the expansion of the Company's increasingly strong team. This phase of growth and development of the Company has resulted in positive outcomes to date and is expected to place the Company in an ideal position for the future.

DIRECTORS' REPORT (Cont'd)

Operations

Resonance Health's lead product, FerriScan, is globally recognised as the gold standard for liver iron concentration (LIC) measurement. FerriScan is a non-invasive, accurate, and regulatory approved method of measuring LIC from MRI scans of a patient's liver, that eliminates the need for an expensive and painful needle biopsy with associated potential complications. Over 200 Radiology Centres from over 30 countries across the globe are established for FerriScan. Image data is securely transferred to Resonance Health for analysis at the Company's ISO-certified, central facility. FerriScan is strongly endorsed by leading global clinicians who can rely on accurate, quality-assured results for their patient management. In addition to routine clinical management of patients, FerriScan is also the method of choice for pharmaceutical companies conducting clinical trials on their compounds. FerriScan has been utilised in over 20 international multicentre trials over the past 10 years and partnerships with existing and new pharmaceutical companies have continued to develop over the year. Clinician referrals for FerriScan continued to grow over this year with the highest volumes on record; including in the primary target markets of the United States and United Kingdom. Receipts from customers were \$2,513,564, up from the previous year's result. FerriScan is also offered as a dual service together with a Cardiac T2* measurement. Cardiac T2* volumes grew 58% compared to the previous year.

Resonance Health's latest product to market, HepaFat-Scan®, is a non-invasive method for measuring volumetric liver fat fraction (VLFF) from MRI scans. With the global epidemic of fatty liver disease the technology is anticipated to make a significant beneficial impact in the field. A targeted focus on promoting HepaFat-Scan has gained traction during the year and has resulted in securing collaborations with Key Opinion Leaders in studies in the fields of fatty liver disease in adults and paediatric patients, pre-surgical assessments in liver cancer, bariatric surgery, diabetes, and hyperferritinaemia. Participation in seven such studies have been secured, with the aim of collecting supporting data on the effectiveness of HepaFat-Scan to promote uptake in the clinical community. The Company is also engaging in active discussion with pharmaceutical companies who are developing therapeutic compounds for fatty liver disease. Another key achievement during the year was the submission of the results of a HepaFat-Scan study to an international scientific journal, which has subsequently been published. The results demonstrate HepaFat-Scan's very high degree of accuracy and repeatability and that it is directly comparable to liver biopsy, the current gold standard for liver fat measurement. This positions HepaFat-Scan with an attractive competitive advantage over alternative techniques and positive feedback has been received from various users of the technology.

Research and Development

The Company continued its strong commitment to Research and Development during the year with a focus on future sustainability. A key component of this included the expansion of the Research and Development team with recruitment of two valuable new members; a Scientific Research Officer and a Clinical Research Manager, and an increased time commitment from the Company's Chief Scientific Officer. Efforts were multi-pronged; focussing on the continued development of new technologies and improving efficiencies of current technologies using new advances in computer science, identification and investigation into potential new markets, and development of current technologies for additional applications. Resonance Health continued with development of a technology for the quantification of liver fibrosis using MRI. Collaborations in this space with the Australian Commonwealth Scientific Research Organisation continued, with promising results to date.

Newly identified markets included previously untargeted disease indications in which patients are expected to significantly benefit from FerriScan and/or HepaFat-Scan, as well as additional organs in which fat and iron assessments can be made. The Research and Development team work very closely with the Marketing team to ensure an efficient and effective multidisciplinary approach.

Marketing

The Company's strategically targeted marketing focus during the year saw great success. A core focus was the development of both new and existing key stakeholder relations with whom future collaborations are pivotal. The ambitious conference schedule not only provided opportunity to promote the Company's technologies, but also for clinical education, collection of valuable intelligence, and stakeholder relationship development.

The Marketing team continually improve the marketing materials that are used on the website, during conferences, and in lead conversion. During the year a powerful educational tool was created in the form of a corporate FerriScan video. The video succinctly educates on the benefits of FerriScan over competitors and has generated positive feedback from a wide target audience.

DIRECTORS' REPORT (Cont'd)

The Marketing presence is global with team members located in Australia, the United Kingdom, United States, and Germany. Marketing efforts have seen 25 new Radiology Centres established across the globe during the year, increased analysis volumes in targeted jurisdictions for all products, and engagement with both new existing pharmaceutical companies.

Resonance Health has experienced a very productive financial year in terms of growth and development. An increasing return on investment for these efforts is expected into future years. The strong focus on Research and Development and Marketing will continue in the 2016/2017 financial year to continue to build the Company's future sustainability.

Operating Results

The net loss of the Group for the financial year after tax was \$384,366 (2015: profit \$463,234).

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year, other than as set out in this report.

Significant Events After Balance Date

On the 31 August 2016, 166,666 shares in Resonance Health Limited were issued to employees under the Employee Share Plan.

Likely Developments and Expected Results of Operations

Comments on expected results of the operations of the Group are included in this report under the review of operations.

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental Legislation

The Group's operations are not subject to any significant environmental legislation.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify all the directors and secretaries of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium to insure the directors and secretaries of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

DIRECTORS' REPORT (Cont'd)

REMUNERATION REPORT (audited)

This report outlines the remuneration arrangements in place for the key management personnel (KMP) of Resonance Health Limited for the financial year ended 30 June 2016. The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company and the Company Secretary.

Key Management Personnel

(i) Directors

Dr Martin Blake – Chairman

Dr Jason Loveridge

Mr Simon Panton

(ii) Management Executives

Dr Timothy St Pierre – Chief Scientific Officer

Mr Sander Bangma – General Manager

Mrs Melanie Baxter – Marketing Director

Mr Adrian Bowers - Company Secretary & Chief Financial Officer

Mrs Celine Royet – Quality and Regulatory Affairs Manager

Remuneration Policy

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

- set competitive remuneration packages to attract the highest calibre of employees in the context of prevailing market conditions, particular experience of the individual concerned and the overall performance of the Company; and
- reward employees for performance that results in long-term growth in shareholder wealth, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Board of Resonance Health Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for Directors and the executive team.

The remuneration policy, setting the terms and conditions for the Directors and other senior executives, was developed by the Remuneration Committee and approved by the Board.

The Remuneration Committee reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The assistance of an external consultant or remuneration surveys are used where necessary.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

DIRECTORS' REPORT (Cont'd)

Non-executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Non-executive Directors' fees not exceeding an aggregate of \$250,000 per annum have been approved by the Company in a general meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each of the non-executive Directors receives a fixed fee for their services as Directors. There is no direct link between remuneration paid to any of the Directors and corporate performance.

Executive Remuneration

Remuneration consists of fixed remuneration and variable remuneration.

(i) Fixed Remuneration

Fixed remuneration is reviewed annually. The process consists of a review of relevant comparative remuneration in the market and internally, and where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

All executives (except Dr St Pierre) receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

Executives receive a superannuation guarantee contribution required by the government, which for the year is 9.50%, and do not receive any other retirement benefits.

(ii) Variable Remuneration

All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed or capitalised. Securities given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. There are currently no securities on issue.

Management Employment Agreements

Mr Bowers was appointed to the role of Company Secretary of Resonance Health Ltd on 25th November 2013. His employment agreement provides for an equivalent full time salary of \$140,000 pa exclusive of superannuation for 22.5 hours per week and a termination notice of 2 weeks.

Mr Bangma was appointed to the role of General Manager on 31st January 2015. His employment agreement provides for a salary of \$125,000 pa exclusive of superannuation and a termination notice of 4 weeks.

Mrs Royet was appointed to the role of Quality Assurance and Regulatory Affairs Manager on 1st June 2015. Her employment agreement provides for an equivalent full time salary of \$115,000 pa exclusive of superannuation for 32.5 hours per week and a termination notice of 2 weeks.

Consultancy Services Agreement

The Company has an agreement with The University of Western Australia (UWA) for consulting services provided by Dr St Pierre. Under this agreement consulting services provided for duties of Chief Scientific Officer totalling \$208,433 (2015: \$82,719) were incurred during the financial year. These amounts are included in Dr Tim St Pierre's remuneration disclosed in the following table. The agreement can be terminated by either party giving 90 days notice to the other party.

Mrs Baxter was appointed to the role of Marketing Director on 31st January 2015. The Company has an agreement with Catalyst Communications Limited for consulting services provided by Mrs Baxter. Under this agreement consulting services provided totalled \$182,365 (2015: \$144,133). The agreement can be terminated immediately by mutual agreement. This amount is included in Mrs Baxter's remuneration disclosed in the following table.

DIRECTORS' REPORT (Cont'd)

Details of Remuneration for Year Ended 30 June 2016

The remuneration for key management personnel of the Group during the year was as follows:

	Short-term employee benefits		Post employment benefits	Equity	Total	Fixed Remuneration	Remuneration linked to performance
	Salary & Fees		Superannuation Contributions	Shares/ Options			
	\$		\$	\$	\$	%	%
Non-Executive Directors' remuneration							
Dr M Blake	54,795		5,205	-	60,000	100%	-
Dr J Loveridge	40,000		-	-	40,000	100%	-
Mr S Panton	36,530		3,470	-	40,000	100%	-
Total	131,325		8,675	-	140,000		

	Short-term employee benefits		Post employment benefits	Equity	Total	Fixed Remuneration	Remuneration linked to performance
	Salary & Fees	Bonus	Superannuation Contributions	Shares/ Options			
	\$	\$	\$	\$	\$	%	%
Management Executives' remuneration							
Dr T St Pierre ¹	208,433	-	-	-	208,433	100 %	-
Mr S Bangma ³	129,808	9,000	12,807	1,000	152,615	93.4%	6.6%
Mrs M Baxter ²	182,365	-	-	-	182,365	100 %	-
Mr A Bowers ³	129,733	-	12,325	1,000	143,058	99.3%	0.7%
Mrs C Royet	101,574	-	9,649	-	111,223	100 %	-
Total	751,913	9,000	34,781	2,000	797,694		

¹ Dr T St Pierre is the Chief Scientific Officer; remuneration represents consulting fees for duties as Chief Scientific Officer paid to The University of Western Australia. At 30 June 2016 a balance of \$63,313 was owing to The University of Western Australia.

² At 30 June 2016 a balance of \$17,210 was owing to Catalyst Communications Limited for consulting services provided by Mrs Baxter.

³ Received 58,823 shares in Resonance Health Limited on 29th June 2016. The shares were issued under the Resonance Health Limited Employee Share Plan – approved by members at the Annual General Meeting held 27th November 2014. The shares were issued for nil consideration. The fair value of the shares issued to each staff member was \$1,000 which was based on the share price at the date of issue.

DIRECTORS' REPORT (Cont'd)

Details of Remuneration for Year Ended 30 June 2015

The remuneration for key management personnel of the Group during the year was as follows:

	Short-term	Post	Equity	Total	Fixed	Remuneration
	employee benefits	employment				
	Salary & Fees	Superannuation Contributions	Options		%	%
	\$	\$	\$	\$	%	%
Non-Executive Directors' remuneration						
Dr M Blake	54,795	5,205	-	60,000	100%	-
Dr J Loveridge	40,000	-	-	40,000	100%	-
Mr S Panton	36,530	3,470	-	40,000	100%	-
Total	131,325	8,675	-	140,000		

	Short-term	Post	Equity	Total	Fixed	Remuneration
	employee benefits	employment				
	Salary & Fees	Superannuation Contributions	Options		%	%
	\$	\$	\$	\$	%	%
Executive Directors' remuneration						
Ms L Dunne ¹	274,007	20,553	-	294,560	100%	-
Total	274,007	20,553	-	294,560		

Management Executives' remuneration

Dr T St Pierre ^{2,3}	82,719	-	-	82,719	100 %	-
Mr S Bangma ⁵	119,692	11,371	1,000	132,063	99.2%	0.8%
Mrs M Baxter ^{4,5}	144,133	-	1,000	145,133	99.3%	0.7%
Mr A Bowers ⁵	131,600	12,502	1,000	145,102	99.3%	0.7%
Mrs C Royet ⁶	1,650	157	-	1,807	100 %	-
Total	479,794	24,030	3,000	506,824		

1 Ms L Dunne resigned as Managing Director 31st January 2015.

2 Dr T St Pierre resigned as a Director 29th October 2014.

3 Dr T St Pierre is the Chief Scientific Officer; remuneration represents consulting fees for duties as Chief Scientific Officer paid to The University of Western Australia. At 30 June 2015 a balance of \$45,512 was owing to The University of Western Australia.

4 At 30 June 2015 a balance of \$17,093 was owing to Catalyst Communications Limited for consulting services provided by Mrs Baxter.

5 Received 30,303 shares in Resonance Health Limited on 31st March 2015. The shares were issued under the Resonance Health Limited Employee Share Plan – approved by members at the Annual General Meeting held 27th November 2014. The shares were issued for nil consideration. The fair value of the shares issued to each staff member was \$1,000 which was based on the share price at the date of issue.

6 Mrs C Royet commenced employment on 1st June 2015.

DIRECTORS' REPORT (Cont'd)**Shareholdings of key management personnel**

The numbers of ordinary shares in the Company held during the financial year by key management personnel of the consolidated Group including their personally related entities are set out below.

	Balance 1/7/2015	Received as Remuneration	Net Change	Received during the year on Other exercise of options	Balance 30/6/2015
Dr M Blake	6,464,677	-	-	-	6,464,677
Dr J Loveridge	-	-	-	-	-
Mr S Panton	65,966,163	-	-	-	65,966,163
Dr T St Pierre	7,218,500	-	(1,050,000)	-	6,168,500
Mr S Bangma	30,303	58,823	-	-	89,126
Mrs M Baxter	30,303	-	-	-	30,303
Mr A Bowers	30,303	58,823	-	-	89,126
Mrs C Royet	-	-	-	-	-
Total	79,740,249	117,646	(1,050,000)	-	78,807,895

No options or rights are held by any member of KMP and there were no other transactions with KMP during the year.

End of Remuneration Report

DIRECTORS' REPORT (Cont'd)

Meetings of Directors

The number of meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2016, and the numbers of meetings attended by each director were:

	Director Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr M Blake	8	8	3	3	2	2
Mr S Pantou	8	8	3	3	2	2
Dr J Loveridge	8	7	3	3	2	2

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Resonance Health Limited support and adhere to the principles of corporate governance. The Company's Corporate Governance Statement is contained in the following section of this annual report.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor Independence and Non-audit Services

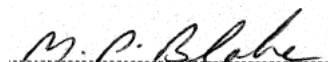
Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 20 and forms part of this Directors' Report for the year ended 30 June 2016.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 21 to the financial statements. 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 Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

This report is made in accordance with a resolution of the Board of Directors.



Dr Martin Blake
Chairman
Perth, Western Australia

Dated this 29 September 2016

CORPORATE GOVERNANCE STATEMENT

Resonance Health Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. This Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Securities Exchange ('ASX') Corporate Governance Council published guidelines as well as its corporate governance principles and recommendations unless otherwise stated. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

Principle 1

Lay solid foundations for management and oversight

The Board is the governing body of the Company. The Board and the Company act within a statutory framework – principally the Corporations Act and also the Constitution of the Company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of Resonance Health Limited.

The Board must ensure that Resonance Health Limited acts in accordance with prudent commercial principles, and satisfies shareholders – consistent with maximising the Company's long term value.

The Company has established the functions reserved to the Board. The Board Charter summarises the role, responsibilities, policies and processes of the Board of Resonance Health Limited and comments on the Board's approach to corporate governance.

The primary responsibilities of the Board include:

- Charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available
- Monitoring the implementation of those policies and strategies and the achievement of those financial objectives
- Monitoring compliance with control and accountability systems, regulatory requirements and ethical standards
- Ensuring the preparation of accurate financial reports and statements
- Reporting to shareholders and the investment community on the performance and state of the Company
- Appointing and monitoring the performance of senior executives
- Establishing proper succession plans for management of the Company

The Company has established the functions delegated to senior executives. The Board Charter summarises the role and responsibilities of the Managing Director and the Company Secretary. With effect 31st January 2015 the Company does not have a designated Managing Director nor a CEO. The Managing Director and the CEO job functions are replaced by Management.

Management – Key Personnel:

- Tim St Pierre – Chief Scientific Officer responsible for Research and Development.
- Sander Bangma – General Manager of Operations responsible for day to day management of service delivery.
- Melanie Baxter – Director of Marketing responsible for the development of sales and marketing.
- Adrian Bowers – Chief Financial Officer and Company Secretary responsible for good administration of the Company.
- Celine Royet – Quality Assurance and Regulatory Affairs Manager responsible for compliance with FDA, TGA

The Board delegates responsibility for day to day management of the Company to Management. However, Management must consult the Board on matters that are sensitive, extraordinary or of a strategic nature. The Company Secretary supports the effectiveness of the Board. The Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.

Separate functions of the Board and management existed and were practised throughout the year.

The performance of Management is measured against criteria agreed annually with each person and is based predominantly on the achievement of agreed milestones. The Management review was undertaken during reporting period.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Details of matters reserved to the Board and delegated to Management are outlined in the Board Charter. A copy of the Board Charter is publically available on the Company's website.

The Company undertakes appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director; and provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes a periodical review evaluating the Board members. The Chairman prepares a questionnaire and asks the Directors and Company Secretary to complete their written response. The Responses are reviewed and discussed at appropriate Board meetings. The Board review was completed during the reporting period.

The Company provides each Director and management executive a written agreement setting out the terms of their appointment.

Diversity Policy

The Board currently does not have a Diversity Policy. Gender Diversity is demonstrated within the Company as follows: Currently, 30% of all current employees are women and 45% of all Management/Executive roles are filled by women. The Board currently has no measurable objectives on achieving greater gender diversity within the Company.

The Board complied with the ASX Corporate Governance Council Principle 1 at all times during the year except as noted above.

Principle 2

Structure the Board to add value

The composition of the Board has been determined on the basis of providing the Company with the benefit of a broad range of technical, commercial and financial skills, combined with an appropriate level of experience at a senior corporate level. Details of each Director's skills and experience are set out in the Directors' report.

The ASX guidelines recommend that a listed Company should have a majority of Directors who are independent, Principle 2 Recommendation 2.4. With effect from 31st January 2015 the Board did have a majority of independent Directors.

A Director is considered independent when the Director does not have any relationship with the Company that would be considered to affect their independent status as outlined in the ASX Corporate Governance Council Principle 2 Recommendation 2.4.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is evidence to the contrary) if it is equal or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point at the actual ability in question to shape the direction of the Company's loyalty.

Directors during the financial year were:

- Dr Martin Blake – Independent – Chairman
- Mr Simon Panton – Not independent – substantial shareholder
- Dr Jason Loveridge – Independent – Non-executive Director

A description of the skills and experience of each director and their period of office is disclosed in the Directors' Report. The ASX Corporate Governance Council Principle 2 Recommendation 2.5 recommends that the Chairman should be an independent director. The role of Chairman was performed by an independent director at all times during the financial year. The ASX Corporate Governance Council Principle 2 Recommendation 2.5 recommends that the roles of Chairman and Managing Director be exercised by different individuals. The Company complied with this recommendation at all times during the financial year.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

The roles of Chairman and Managing Director are exercised by different individuals, providing for clear division of responsibility at the head of the Company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communication between them.

Directors are subject to re-election by rotation at annual general meetings as stipulated in the Corporations Act and the Company's Constitution. There is no maximum term for non-executive director appointments. Newly elected Directors must seek re-election at the first general meeting of shareholders following their appointment.

The remuneration of the Directors is determined by the Nomination and Remuneration Committee. Further information and the components of remuneration for Directors are set out in the Directors' Report.

ASX Corporate Governance Council Principle 2.1 recommends that the Nomination Committee should consist of a majority of independent Directors, be chaired by an independent Director and have at least three members.

The members of the Nomination and Remuneration Committee during the financial year were:

- Dr Martin Blake – (Chairman) – Independent
- Mr Simon Panton – Not Independent
- Dr Jason Loveridge – Independent

Nomination and Remuneration Committee consists of three Non-executive Directors.

The number of meetings attended by each member of the Nomination and Remuneration Committee are detailed in the Directors' Report. The Company discloses its Nomination and Remuneration Committee Charter on the Company's website.

The Company has a procedure in place for Directors to take independent professional advice at the expense of the Company.

Prior to the appointment of a new director, the Nomination and Remuneration Committee assesses the skills represented on the Board by the non-executive Directors and determines whether those skills meet the skills identified as required. The Committee will then implement a process to identify suitable candidates for appointment. The Committee makes recommendations to the Board on candidates it considers appropriate for appointment. Induction procedures are in place to ensure new Directors are able to participate fully and actively in Board decision-making at the earliest opportunity. Directors are encouraged to engage in continuing education and are encouraged to update and enhance their skills and knowledge. Directors meet regularly to discuss the performance of the Company and to attend to regulatory requirements. The Company Secretary distributes information before each Board meeting to enable Directors to discharge their duties effectively.

The Company's Constitution requires a director of the Company to not hold office without re-election past the third annual general meeting following the director's appointment or three years, whichever is longer.

The Board complied with the ASX Corporate Governance Council Principle 2 at all times during the year except as noted above.

Principle 3

Promote ethical and responsible decision-making

The Board places great emphasis on ethics and integrity in all its business dealings.

In regards to Principle 3.1 the Board considers the business practices and ethics exercised by individual Board members and key executives to be of the highest standards.

The Company has a code of conduct as to the:

- practices necessary to maintain confidence in the Company's integrity;
- practices necessary to take into account their legal obligations and the expectations of shareholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

These practices are outlined in the Company's Board Charter, Communication Policy, Continuous Disclosure Charter, Share Trading Policy, Audit and Risk Charter and Nomination and Remuneration Charter. These documents are disclosed on the Company's website.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Trading in the Company's shares

The Company's policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices. Statutory provisions of the Corporations Act dealing with insider trading have been strictly complied with.

The Company's Share Trading Policy is disclosed on the Company's website.

The Board complied with the ASX Corporate Governance Council Principle 3 Recommendations at all times during the year

Principle 4

Safeguard integrity in financial reporting

The Board has established an Audit and Risk Committee that operates in accordance with the Company's Audit and Risk Charter. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board has delegated responsibility for the establishment and framework of internal controls and ethical standards for the management of the Group to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive Directors.

ASX Corporate Governance Council Principle 4.1 recommends that the Audit Committee should consist only of non-executive with a majority of independent Directors, be chaired by an independent director who is not chair of the Board and have at least three members.

The members of the Audit and Risk Committee during the financial year were:

- Dr Martin Blake (Chairman) – Independent
- Mr Simon Panton – Not independent
- Dr Jason Loveridge – Independent

The qualifications of each member of the Audit and Risk Committee and the number of meetings attended are detailed in the Directors' Report.

The Audit and Risk Committee generally invites the Managing Director, Company Secretary, and external auditors to attend meetings.

The Company discloses its Audit and Risk Committee Charter on the Company's website.

The Company's external auditors have a policy for the rotation of audit engagement partners. A new Audit Partner was assigned to the Company with effect for the 2014 financial year in line with this policy.

The Board has not complied with the ASX Corporate Governance Council Principle 4 Recommendations at all times during the year. The Chairman of the Board is also Chairman of the committee which is not in accordance with Principle 4.1, however given the size of the company and the Chair's Independent status the Board's opinion is that it is reasonable and acceptable.

In accordance with Recommendation 4.2 the Chief Financial Officer and General Manager of Operations provide written statements at each reporting period regarding the integrity of the financial statements and the Company's risk management and internal compliance and control systems.

In accordance with Recommendation 4.3 the Company's external auditor is invited to attend the annual general meeting and questions from shareholders regarding the conduct of the audit and the preparation and content of the auditor's report are welcomed.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Principle 5

Make timely and balanced disclosure

The Company complies with all disclosure requirements to ensure that Resonance Health manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. The Company Secretary is authorised to communicate with shareholders and the market in relation to Board approved disclosures.

The Company has a written policy designed to ensure compliance with ASX Listing Rule disclosures and accountability at a senior executive level for that compliance. The details of this policy are outlined in the Company's Continuous Disclosure Charter which is displayed on the Company's website.

All announcements made to the ASX are placed on the Company's web site immediately after public release.

The Board complied with the ASX Corporate Governance Council Principle 5 Recommendations at all times during the year.

Principle 6

Respect the rights of shareholders

The Company has a Communications Policy that details the Company's strategy to communicate with shareholders and actively promote shareholder involvement in the Company. It aims to continue to increase and improve the information available to shareholders on its website. All Company announcements, presentations to analysts and other significant briefings are posted on the Company's website after release to the Australian Securities Exchange.

The Board complied with the ASX Corporate Governance Council Principle 6 Recommendations at all times during the year.

Principle 7

Recognise and manage risk

The Board oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. Recommendation 7.1 requires that the Company has a formal risk management policy and internal compliance and control system. Resonance Health Limited, through its operating subsidiary Resonance Health Analysis Services Pty Ltd, maintained a Quality Management System (QMS) to international standards ISO13485:2003 for the whole financial year which encompass formal risk analysis processes.

Recommendation 7.2 requires implementation and review of the Company's risk management and internal control system. The Company did not have a separately established risk committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the role of the Audit and Risk Committee and the main Board. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee.

In addition, the QMS requires the appointment of a Management Representative that reports directly to the Board of Directors. The Company also has in place classes of insurance at levels which, in the reasonable opinion of the Directors, are appropriate for its size and operations. Management has reported the effectiveness of the Company's management of its material business risks to the Board during the reporting period.

The Company's Audit and Risk Charter is displayed on the Company's website.

In regards to Recommendation 7.3 the Company does not have an Internal Audit Function given its size and the company has maintained a Quality Management System (QMS) to international standards ISO13485:2003 for the whole financial year which encompass formal risk analysis processes.

In regards to Recommendation 7.4 the Company does not have material exposure to economic, environmental and social sustainability risks other than normal trading business risks.

Except for Recommendation 7.3 the Board complied with the ASX Corporate Governance Council Principle 7 Recommendations at all times during the year.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Principle 8

Remunerate fairly and responsibly

The Board has a Nomination and Remuneration Committee. Members of the Committee are outlined under Principle 2 above.

ASX Corporate Governance Council Principles recommend that the Remuneration Committee should consist of a majority of independent Directors, be chaired by an Independent Director and have at least three members.

The Nomination and Remuneration Committee regularly review the level and composition of remuneration of non-executive Directors, executive Directors and senior management with regards to industry best practice, Company and individual performance. During Financial year ended 30 June 2016 the Nomination and Remuneration Committee met two times.

The Company pays fees to The University of Western Australia for services provided by Dr St Pierre who is the Chief Scientific Officer the Company.

All Management employees receive a base salary and superannuation. The Company has a share plan. Directors do not receive any equity based remuneration unless specifically approved on a case by case basis at a general meeting.

The members of the Nomination and Remuneration Committee are outlined in Principle 2. Their attendance at Nomination and Remuneration Committee meetings is detailed in the Directors' Report. Director disclosure requirements are detailed in the Remuneration Report.

The Nomination and Remuneration Committee Charter is displayed on the Company's website.

Recommendation 8.3 – The Company does not have a written policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Share Plan. However the Directors discourage employees from doing so especially if it is a short term trading activity.

The Board complied with the ASX Corporate Governance Council Principle 8 Recommendations at all times during the year excepted for Recommendation 8.3 as noted above.



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Resonance Health Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
29 September 2016

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

L Di Giallonardo
Partner

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	Consolidated	
		2016 \$	2015 \$
Sales revenue	2(a)	2,547,685	2,443,476
Other income	2(b)	48,939	233,284
Revenue		2,596,624	2,676,760
Employee benefits expense		(1,474,535)	(1,348,506)
Consulting and professional services		(30,947)	(94,032)
Research and development		(111,157)	(68,665)
Depreciation expense		(16,309)	(13,649)
Amortisation expense		(132,927)	(121,052)
Marketing and travel		(781,540)	(371,733)
Statutory and compliance		(148,116)	(159,449)
Foreign exchange (loss)/gain		(39,175)	143,430
Due diligence expense		-	(15,264)
Other expenses	2(c)	(345,844)	(379,207)
Profit/(loss) before income tax benefit		(483,926)	248,633
Income tax benefit	3	99,560	214,601
Net profit/(loss) for the year attributable to owners of the parent		(384,366)	463,234
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		-	(61,916)
Exchange differences arising on translation of foreign loan		-	(37,314)
Other comprehensive income/(loss) for the year, net of tax		-	(99,230)
Total comprehensive income/(loss) for the year attributable to owners of the parent		(384,366)	364,004
Basic earnings/(loss) per share (cents per share)	5	(0.10)	0.12

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

		Consolidated	
	Note	2016 \$	2015 \$
Current Assets			
Cash and cash equivalents	7	2,512,441	2,797,203
Trade and other receivables	8	485,331	662,177
Other assets	9	44,457	42,304
Total Current Assets		3,042,229	3,501,684
Non-Current Assets			
Plant and equipment	10	74,691	27,216
Intangible assets	11	1,745,589	1,601,442
Other assets	9	64,310	62,106
Total Non-Current Assets		1,884,590	1,690,764
Total Assets		4,926,819	5,192,448
Current Liabilities			
Trade and other payables	12	415,364	329,158
Provisions	14	52,100	44,070
Other liabilities	13	425,433	413,932
Total Current Liabilities		892,897	787,160
Total Liabilities		892,897	787,160
Net Assets		4,033,922	4,405,288
Equity			
Issued capital	15(a)	69,419,199	69,406,199
Reserves	15(b)	(204,296)	(204,296)
Accumulated losses		(65,180,981)	(64,796,615)
Total Equity		4,033,922	4,405,288

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

Consolidated

	Issued Capital \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2014	68,703,510	(171,350)	66,284	(65,259,849)	3,338,595
Profit for the year	-	-	-	463,234	463,234
Other comprehensive loss	-	(99,230)	-	-	(99,230)
Total comprehensive income for the year	-	(99,230)	-	463,234	364,004
Shares issued	745,039	-	-	-	745,039
Share issue costs	(42,350)	-	-	-	(42,350)
Balance at 30 June 2015	69,406,199	(270,580)	66,284	(64,796,615)	4,405,288
Loss for the year	-	-	-	(384,366)	(384,366)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(384,366)	(384,366)
Shares issued	13,000	-	-	-	13,000
Balance at 30 June 2016	69,419,199	(270,580)	66,284	(65,180,981)	4,033,922

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	Consolidated	
		2016 \$	2015 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		2,513,564	2,489,302
Payments to suppliers and employees		(2,787,159)	(2,481,556)
Due diligence expense		-	(42,887)
Grants received		-	161,934
Interest received		48,744	70,370
Income tax received		285,794	-
Net cash provided by operating activities	7(i)	60,943	197,163
Cash flows from investing activities			
Payments for plant and equipment		(63,784)	(11,417)
Payments for intangible assets		(277,074)	(159,210)
Net cash used in investing activities		(340,858)	(170,627)
Cash flows from financing activities			
Share issues		-	650,000
Share issue costs		-	(18,687)
Net cash provided by financing activities		-	631,313
Net (decrease)/increase in cash and cash equivalents		(279,915)	657,849
Foreign exchange differences on cash balances		(4,847)	41,747
Cash and cash equivalents at the beginning of period		2,797,203	2,097,607
Cash and cash equivalents at the end of the period	7	2,512,441	2,797,203

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**NOTE 1: Statement of significant accounting policies****(a) Basis of preparation**

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

For the purpose of preparing the consolidated financial statements, the Company is a for profit entity.

The financial report is presented in Australian dollars. The Company is a listed public Company, incorporated and operating in Australia and the United States of America. The Company's business involves the development and commercialisation of technologies and services for the quantitative analysis of radiological images in a regulated and quality controlled environment.

(b) Adoption of new and revised standards

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group 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 2016. As a result of this review the Directors have determined that AASB 15 *Revenue from contracts with Customers* may have a material effect on the Company in future reporting periods. The Company have elected to not early adopt this Standard and Interpretation and have not quantified the material effect of application on future periods.

Other than the above, there are no other material impact of the new and revised Standards and Interpretations on the Group and therefore no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 29 September 2016.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements comprise the separate financial statements of Resonance Health Limited ("Company" or "parent entity") and its subsidiaries as at 30 June each year ("the Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Business combinations have been accounted for using the acquisition method of accounting (refer Note 1(ab)).

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**NOTE 1: Statement of significant accounting policies****(e) Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of intangibles

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in Note 11.

Additionally, the Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may indicate impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections growth rates have been factored into valuation models for the next five years on the basis of management's expectations regarding the Group's continued ability to increase market share based on contractual obligations already in place and historical sales growth rates.

Historic Group averages have been used to reflect projected cash flow growth rates in year 1 and year 2. In subsequent periods a consistent growth rate has been attached as a conservative estimate for use in the impairment calculation.

Pre-tax discount rate of 10% which includes a risk component, has been used throughout the value-in-use model.

Development expenditure is considered to be sensitive to these assumptions as they are not ready for use. Therefore sensitivity analysis of 5% and 10% reduction in revenue and the use of a pre-tax discount rate of 15% have been calculated and did not indicate an impairment.

Share-based payment transactions

The Group measures the cost of cash-settled share-based payments at fair value at the grant date.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Resonance Health Limited.

(g) Foreign currency translation

Both the functional and presentation currency of Resonance Health Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**NOTE 1: Statement of significant accounting policies****(g) Foreign currency translation (Continued)**

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

The functional currency of the foreign operation Resonance USA Inc. is United States dollars (US\$). As at the reporting date the assets and liabilities of this subsidiary are translated into the presentation currency of Resonance Health Limited at the rate of exchange ruling at the balance date and the statement of comprehensive income is translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component recognised in the foreign currency translation reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of Comprehensive Income.

(h) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(iii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(i) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(j) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

(k) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**NOTE 1: Statement of significant accounting policies****(k) Income tax (Continued)**

Current tax assets and liabilities for the current and prior periods 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 substantially enacted by the balance date. Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, 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 income 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; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance 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 income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it is has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Resonance Health Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidated legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

(l) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**NOTE 1: Statement of significant accounting policies****(l) Other taxes (Continued)**

Cash flows are included in the Statement of Cash Flows on a gross basis 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 net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and adjusted risk specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(o) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 14 days to 90 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: Statement of significant accounting policies

(p) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. Where financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets that are not quoted in an active market. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(q) Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset, or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: Statement of significant accounting policies

(q) Derecognition of financial assets and liabilities (Continued)

(ii) Financial liabilities

A financial liability is recognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(r) Impairment of financial assets

The Group assess at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial asset is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss should not be reversed in subsequent periods.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(s) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment 3 – 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**NOTE 1: Statement of significant accounting policies****(s) Plant and equipment (Continued)**

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Impairment losses for plant and equipment are recognised in the statement of comprehensive income.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

(t) Intangible assets*Internally generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development expenditure on an internal project is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

(u) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(v) Interest-bearing loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**NOTE 1: Statement of significant accounting policies****(w) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(x) Employee benefits

Wages, salaries, annual leave, sick leave and long service leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in sundry creditors in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(y) Share-based payment transactions

Equity-settled transactions

The Group uses agreements where payment for services rendered are settled by the issuance of fully paid shares or options in the Company.

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date they are granted and is recognised, together with a corresponding increase in equity, over the period in which the service is provided.

(z) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Earnings per share ("EPS")

Basic EPS is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share 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;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ab) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangements and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: Statement of significant accounting policies

(ab) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(ac) Parent entity financial information

The financial information for the parent entity, Resonance Health Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements.

	Consolidated	
	2016 \$	2015 \$
NOTE 2: Revenues and expenses		
(a) Sales revenue		
Sales to external customers	2,547,685	2,443,476
(b) Other income		
Grants received	-	161,934
Interest received	48,939	65,518
Other revenue	-	5,832
	48,939	233,284
(c) Expenses		
Rental expense on operating leases	106,076	107,794

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 \$	2015 \$
NOTE 3: Income tax benefit		
Income tax recognised in profit or loss		
The major components of tax benefit are:		
Current taxation – reversal of prior year entries	-	144,316
Fringe Benefits Tax Paid	(2,159)	-
Adjustments recognised in the current year in relation to the current tax of prior years – R&D tax offset	101,719	70,285
	99,560	214,601
The prima facie income tax benefit on pre-tax accounting (loss)/profit from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting (loss)/profit before income tax	(483,926)	248,633
Income tax benefit calculated at 30%	(145,178)	(74,590)
Effect of expenses that are not deductible in determining taxable profit	158,199	(120,113)
Effect of unused tax losses not recognised as deferred tax assets	264,906	(292,563)
Effect of temporary differences not recognised as deferred tax assets and liabilities	(277,927)	474,562
Effect of capital raising costs recognised directly in equity	-	12,704
Fringe Benefits Tax Paid	(2,159)	-
Income tax benefit reversal of prior year entries	-	144,316
Tax refund receivable (research and development tax offset)	101,719	70,285
Income tax benefit reported in the statement of comprehensive income	99,560	214,601

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
NOTE 3: Income tax (Continued)	2016	2015
	\$	\$
Unrecognised deferred tax balances		
The following deferred tax assets and liabilities have not been brought to account:		
<i>Deferred tax assets:</i>		
Losses available for offset against future taxable income - revenue	3,239,315	2,974,408
Amortisation and depreciation timing differences	647,875	892,813
Business related costs	47,049	66,697
Unrealised foreign exchange losses	9,602	1,708
Accrued expenses and liabilities	68,940	57,621
	4,012,781	3,993,247
<i>Deferred tax liabilities:</i>		
Capitalised research and development costs	523,677	480,433
Accrued income	380	321
	524,057	480,754
<i>Income tax benefits not recognised directly in equity</i>		
Share issue costs	-	12,704
	-	12,704

Deferred tax assets have not been recognised in respect of the above items because it is not considered probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Tax Consolidation

Resonance Health Limited and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation from 1st July 2012. The accounting policy for the implementation of the tax consolidation legislation is set out in note 1(k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4: Segment reporting

Segment Information

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.

Business Segments

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2016.

	Services	Research and Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue				
Sales to external customers	2,547,685	-	-	2,547,685
Interest revenue	-	-	48,939	48,939
Total segment revenue	2,547,685	-	48,939	2,596,624
Segment profit/(loss) before tax	201,265	(262,913)	(422,278)	(483,926)
Income tax benefit	-	99,560	-	99,560
Segment assets	485,331	1,745,589	2,695,899	4,926,819
Segment liabilities	840,797	-	52,100	892,897

The Group derived 43% of its external customer sales revenue from one major customer.

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2015.

	Services	Research and Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue				
Sales to external customers	2,605,410	-	-	2,605,410
Interest revenue	-	-	65,518	65,518
Other revenue	-	-	5,832	5,832
Total segment revenue	2,605,410	-	71,350	2,676,760
Segment profit/(loss) before tax	709,671	(110,565)	(350,473)	248,633
Income tax benefit	-	214,601	-	214,601
Segment assets	662,177	1,601,441	2,928,830	5,192,448
Segment liabilities	743,090	-	44,070	787,160

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
NOTE 5: Earnings per share	2016 \$	2015 \$
Basic (loss)/earnings per share (cents per share)	(0.10)	0.12
(a) (Loss)/profit used in the calculation of basic (loss)/earnings per share	(384,366)	463,234
	2016 Number	2015 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	401,568,292	398,239,002

The calculation does not include shares under option that could potentially dilute basic earnings per share in the future as no options are on issue.

NOTE 6: Dividends

No dividend was paid or declared for the current or previous financial year.

	Consolidated	
NOTE 7: Cash and cash equivalents	2016 \$	2015 \$
Deposits at call	1,538,127	557,580
Term deposits	974,314	2,239,623
	2,512,441	2,797,203

Deposits at call earn interest at floating rates based on daily bank deposit rates.

Term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective term deposit rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
NOTE 7: Cash and cash equivalents (Continued)	2016 \$	2015 \$
(i) Reconciliation of loss for the year to net cash flows from operating activities		
(Loss)/profit for the year	(384,366)	463,234
Non-cash flows in loss:		
Depreciation	16,309	13,649
Amortisation of intangible assets	132,927	121,052
Employee share costs	17,000	12,000
Changes in net assets and liabilities:		
Decrease/(increase) in trade and other receivables	176,846	(162,778)
Increase in other assets (current)	(2,153)	(17,702)
Increase in other assets (non-current)	-	(3,007)
(Increase)/decrease in other financial assets	(2,204)	3,004
Increase/(decrease) in trade creditors and other payables	95,084	(257,425)
Decrease in current tax liabilities	-	(144,316)
Decrease in other liabilities	11,500	169,452
Net cash provided by operating activities	60,943	197,163
(ii) Financing facilities		
Secured credit card:		
Amount used	9,570	12,793
Amount unused	10,430	7,207
	20,000	20,000
(iii) Cash balances not available for use		
Security deposits:		
Credit card	20,000	20,000
Lease premises	44,310	39,099
	64,310	59,099

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016	2015
	\$	\$
NOTE 8: Trade and other receivables		
Trade receivables	466,930	457,839
Other receivables	18,401	204,338
	485,331	662,177

The average credit period on sales of goods and rendering of services is 14 to 90 days.

Aging of past due but not impaired

Up to 30 days	88,931	101,255
60-90 days	82,804	41,269
90-120 days	95,983	83,675
120+ days	-	-
	267,718	226,199

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was granted up to the reporting date. No allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services in relation to a specific debtor amount. The concentration of credit risk is significant with 17% (2015: 18%) of trade receivables relating to one major customer. The remaining trade receivables relate to a large and unrelated customer base. The Directors believe no further increase is required in excess of the allowance for impairment.

NOTE 9: Other assets

Current

Prepayments	44,457	42,304

Non-Current

Deposits	64,310	62,106

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016	2015
	\$	\$
NOTE 10: Plant and equipment		
Fixtures and equipment		
At cost	349,021	285,237
Less: Accumulated depreciation	(274,330)	(258,021)
Total plant and equipment	74,691	27,216

Reconciliation

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

Fixtures and equipment		
Carrying amount at the beginning of the year	27,216	29,448
Additions	63,784	11,417
Depreciation expense	(16,309)	(13,649)
Carrying amount at the end of the year	74,691	27,216

NOTE 11: Intangible assets

Development expenditure		
At cost	2,123,571	1,846,497
Less: Accumulated amortisation	(377,982)	(245,055)
Total development expenditure	1,745,589	1,601,442

Reconciliation

Reconciliation of the carrying amount of intangible assets is set out below:

Development expenditure		
Carrying amount at the beginning of the year	1,601,442	1,563,284
Additions	277,074	159,210
Amortisation expense	(132,927)	(121,052)
Carrying amount at the end of the year	1,745,589	1,601,442

Development expenditure relates to costs incurred in developing MRI image analysis tools for the diagnosis and clinical management of human disease.

During the current financial year this development has related to a new liver fat assessment tool, further refinement of FerriScan and the next stage of development of a MRI based liver fibrosis tool.

The recoupment of development expenditure is dependent on the successful development and commercialisation or sale of the technology developed. The Directors are required to assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists an estimate is made of the asset's recoverable amount. Where the asset's carrying value exceeds the estimated recoverable amount a provision for impairment is recognised.

In making this assessment the Directors had regard to the size of the liver fibrosis and liver fat markets, competing products, experience gained with the FerriScan technology, the likely period over which these revenues are expected to be generated and the likelihood of any technological obsolescence.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016	2015
	\$	\$
NOTE 10: Plant and equipment		
Fixtures and equipment		
At cost	349,021	285,237
Less: Accumulated depreciation	(274,330)	(258,021)
Total plant and equipment	74,691	27,216

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**NOTE 11: Intangible assets (Continued)**

The recoverable amount of development expenditure detailed above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period. The cash flows are discounted using a rate of 10% which includes a risk component at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

- Growth rate was based on contractual obligations already in place and historical sales growth rates.
- Costs are calculated taking into account historical margins and trends as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates appropriate to historic company rates.
- Discount rate was based on the pre-tax discount rate of 10% which includes a risk component.

	Consolidated	
	2016	2015
	\$	\$
NOTE 12: Trade and other payables		
Current		
Trade payables (i)	119,783	85,228
Sundry creditors and accruals	295,581	243,930
	415,364	329,158

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms. Information regarding the effective interest rate and credit risk of current payables is set out in Note 16.

NOTE 13: Other liabilities

Current		
Unearned income	425,433	413,932

NOTE 14: Provisions

Long service leave	52,100	44,070
	52,100	44,070

Reconciliation

Balance at the beginning of the year	44,070	88,623
Arising during the year	15,691	4,163
Utilised during the year	(7,661)	(48,716)
Balance at the end of the year	52,100	44,070

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: Issued capital and reserves

	2016		2015	
	Number	\$	Number	\$
(a) Issued and paid up capital	402,330,902	69,419,199	401,566,203	69,406,199
Movements – Ordinary shares	2016	2016	2015	2015
	Number of shares	\$	No. of shares	\$
Balance at the beginning of the year	401,566,203	69,406,199	386,541,784	68,703,510
Placement 15 September 2014 at \$0.05 each	-	-	13,000,000	650,000
Placement 30 September 2014 at \$0.05 each	-	-	1,660,783	83,044
Employee Shares 31 March 2015 at \$0.033 each	-	-	363,636	12,000
Share capital issue costs	-	-	-	(42,350)
Employee Shares 29 June 2016 at \$0.017 each	764,699	13,000	-	-
Balance at the end of the year	402,330,902	69,419,199	401,566,203	69,406,204

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(b) Reserves

Nature and purpose of reserves:

Foreign currency translation reserve – the foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Option reserve – the option reserve is used to record the fair value of options issued as share based payments to employees and directors as part of their remuneration.

NOTE 16: Financial instruments

(a) Capital risk management

The Group controls the capital of the Company in order to maintain an appropriate debt to equity ratio and to ensure that the Company can fund its operations and continue as a going concern. The Group's overall strategy remains unchanged from the previous financial year. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16: Financial instruments (Continued)

(b) Categories of financial instruments

Financial assets/(liabilities)	Consolidated	
	2016 \$	2015 \$
Cash and cash equivalents	2,512,441	2,797,202
Trade and other receivables	485,331	662,177
Other assets	44,457	62,106
Trade and other payables	(415,364)	(329,158)

The net fair values of all financial assets and liabilities approximate their carrying value.

(c) Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The Group does not engage in forward exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2016 \$	2015 \$	2016 \$	2015 \$
United States Dollars	26,349	16,276	1,269,733	375,225
Great British Pounds	21,685	25,055	238,390	248,574
European Euros	1,692	4,996	124,271	21,493

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16: Financial instruments (Continued)

(e) Foreign currency risk management (Continued)

Foreign currency sensitivity analysis

The Group is exposed to United States Dollar (USD), Great British Pound (GBP) and European Euro (EUR) currency fluctuations.

The following table illustrates the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number indicates a decrease in profit and other equity where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be positive.

	2016	2015
	\$	\$
Profit or loss impact:		
- USD	(113,035)	(32,632)
- GBP	(19,700)	(20,320)
- EUR	(11,144)	(1,500)

(f) Interest rate risk management

All financial assets and financial liabilities are non-interest bearing except for cash and cash equivalent balances. The following table details the Group's expected maturities for cash and cash equivalent financial assets.

	Less than one month	One to three months	Total
Cash and cash equivalent financial assets			
2016	\$2,512,441	\$64,310	\$2,576,751
Weighted average effective interest rate	1.24%	2.12%	
2015	\$2,797,203	\$62,106	\$2,859,309
Weighted average effective interest rate	1.59%	2.66%	

The Group is exposed to fluctuations in interest rates as it has deposited monies at floating and fixed interest rates. The impact of a 10% change in interest rates will not have a material impact on the result for the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16: Financial instruments (Continued)

(g) Credit risk management

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. At 30 June 2016, the Group had one customer that accounted for 17% of all trade receivables (2015: 18%).

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date in relation to each class of recognised financial assets is the carrying amount, net of any allowance for impairment recorded in the financial statements. The Group does not hold any collateral as security for any trade receivable.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continually monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 7 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following table details the Group's expected maturity for its financial liabilities.

	Less than one month	One month to three months	Three months to one year	Total
	\$	\$	\$	\$
2016				
Non-interest bearing	265,854	53,448	96,062	415,364
2015				
Non-interest bearing	202,889	62,240	64,029	329,158

(i) Fair value of financial instruments

The net fair value of all financial assets and liabilities approximate their carrying values. No financial assets or financial liabilities, except for listed shares are readily traded on organized markets in standardised form.

The aggregate net fair values and carrying amounts of all financial assets and liabilities are disclosed in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016	2015
	\$	\$
NOTE 17: Commitments for expenditure		
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases for office premises are payable as follows:		
Within one year	124,873	117,060
Later than 1 year but no later than 5 years	10,440	131,887
Total commitments not recognised in the financial statements	<u>135,313</u>	<u>248,947</u>

A lease over premises was entered into effective 1 August 2011 and has been extended from 1 August 2014 for a further 3 years to July 2017.

	Consolidated	
	2016	2015
	\$	\$
Clinical study commitments		
Commitments for minimum payments in relation to non-cancellable clinical trials are payable as follows:		
Within one year	172,975	114,732
Later than 1 year but no later than 5 years	-	47,805
Total commitments not recognised in the financial statements	<u>172,975</u>	<u>162,537</u>

Contingent liabilities and assets

There were no contingent liabilities or assets as at 30 June 2016 (2015: \$nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18: Related party disclosure

The consolidated financial statements include the financial statements of Resonance Health Limited and the subsidiaries listed in the following table.

<u>Name of entity</u>	<u>Country of incorporation</u>	<u>Class of shares</u>	<u>2016 Equity holding</u>	<u>2015 Equity holding</u>
Resonance Health Analysis Services Pty Ltd	Australia	Ordinary	100%	100%
WA Private Health Care Services Pty Ltd	Australia	Ordinary	100%	100%
IVB Holdings Pty Ltd	Australia	Ordinary	100%	100%
Resonance USA Inc	USA	Ordinary	100%	100%

Resonance Health Limited is the ultimate Australian entity and ultimate parent of the Group.

Transactions with related parties

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with key management personnel

Refer to Note 22 for details of transactions with key management personnel.

Transactions between group companies

During the year the following transactions occurred between group companies:

Resonance Health Analysis Services Pty Ltd (RHAS) and Resonance Health Limited (RHT).

During the year expenses were paid by RHAS totalling \$136,221 (2015: \$46,600) on behalf of RHT. During the year RHAS repaid \$80,000 of loan balance to RHT.

During the Year expenses were paid by RHT totalling \$48,898 on behalf of RHAS. During the year RHT provide funds of \$1,015,000 to RHAS

At the 30 June 2016 RHAS owed a loan balance of \$542,864 to RHT.

In prior periods RHT impaired a loan to WA Private Health Care Services Pty Ltd of \$136,423. The loan remains impaired.

In prior periods WA Private Health Care Services Pty Ltd has provided a loan of \$8,837 to RHT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
NOTE 19: Parent entity disclosures		
Financial Position		
Assets		
Current assets	1,187,783	2,444,159
Non-current assets	1,254,286	856,682
Total assets	<u>2,442,069</u>	<u>3,300,841</u>
Liabilities		
Current liabilities	91,578	87,707
Non-current liabilities	-	450,073
Total liabilities	<u>91,578</u>	<u>537,780</u>
Equity		
Issued capital	69,419,199	69,406,199
Option reserve	66,284	66,284
Accumulated losses	(67,134,992)	(66,709,421)
Total equity	<u>2,350,491</u>	<u>2,763,062</u>
	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
Financial Performance		
Loss for the year	(425,571)	(468,058)
Other comprehensive income	-	-
Total comprehensive loss	<u>(425,571)</u>	<u>(468,058)</u>

NOTE 20: Significant events after balance date

On the 31st August Resonance issued 166,666 shares to employees under the Resonance Health Limited – Employee Share Plan.

	Consolidated	
	2015 \$	2015 \$
NOTE 21: Auditor's remuneration		
During the year the following fees were paid or payable to the auditor:		
Remuneration of the auditor of the Company for:		
Auditing/reviewing financial report	51,500	50,000
Taxation compliance services	16,450	45,500
	<u>67,950</u>	<u>95,500</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22: Key management personnel disclosures

(a) Details of key management personnel

(i) Directors

Dr Martin Blake	Chairman (non-executive)
Mr Simon Panton	Director (non-executive)
Dr Jason Loveridge	Director (non-executive)

ii) Management

Dr Tim St Pierre	Chief Scientific Officer
Mr Sander Bangma	General Manager of Operations
Mrs Melanie Baxter	Director of Marketing
Mr Adrian Bowers	CFO and Company Secretary
Mrs Celine Royet	Manager of Quality Assurance and Regulatory Affairs

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

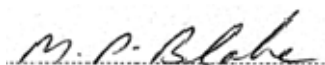
The totals paid to KMP of the Group during the year are as follows:

	2016	2015
	\$	\$
Short term employee benefits	892,238	885,126
Post employment benefits	43,456	53,258
Share based payments	2,000	3,000
Total KMP compensation	937,694	941,384

Directors' declaration

1. In the opinion of the Directors:
 - a. the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional requirements and other mandatory requirements; 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; and
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

This declaration is signed in accordance with a resolution of the Board of Directors.



Dr Martin Blake
Chairman

Place: Perth, Western Australia

Dated: 29 September 2016



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Resonance Health Limited

Report on the Financial Report

We have audited the accompanying financial report of Resonance Health Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's Opinion

In our opinion:

- (a) the financial report of Resonance Health Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Resonance Health Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

**L Di Giallonardo
Partner**

**Perth, Western Australia
29 September 2016**