

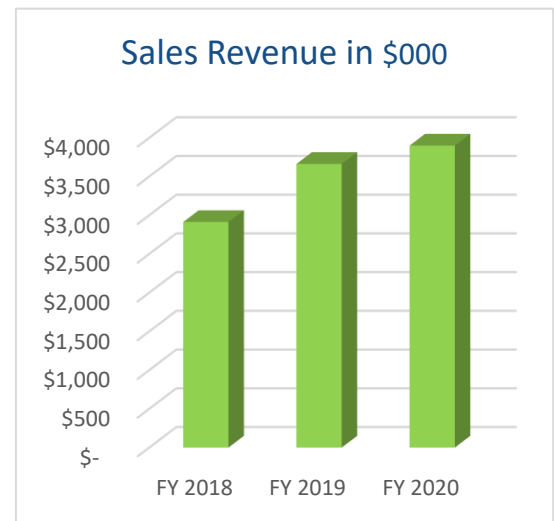
Resonance Health Maintains Strong Balance Sheet

Resonance Health Limited (ASX: RHT) (“Resonance Health” or the “Company”) announces its Appendix 4E - Preliminary Final Report for FY20.

Sales Revenue

Sales revenue for the year was \$3.66 million, a 1% increase on the previous year of \$3.62 million. 2H20 was impacted by COVID-19 due to global lockdowns and accessibility issues for patients to scanning centres during the global pandemic. Commercial demand for the Company’s services has now returned to pre-COVID levels.

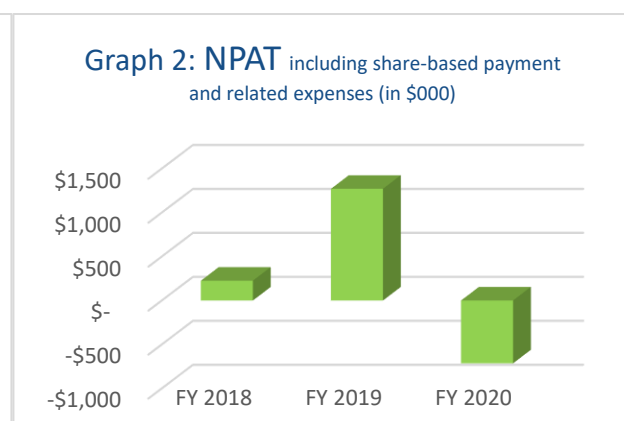
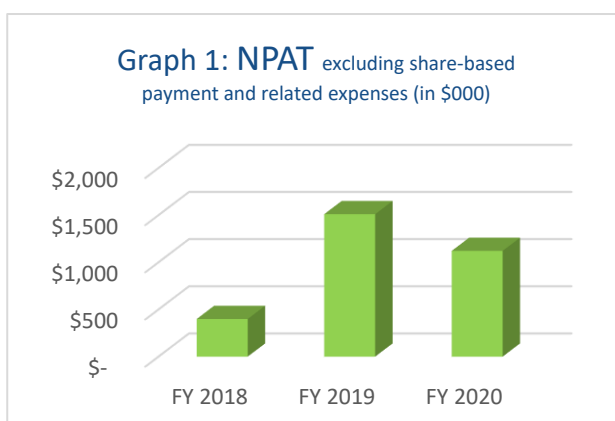
Resonance Health continued to win contracts to provide services to sponsors for their clinical trials. The combined total dollar value of additional work won amounts to approximately US\$2.9 million (see ASX announcements on 19 July 2019, 28 October 2019, 29 January 2020, 28 April 2020, and 28 July 2020). This includes the execution of three new contracts to provide services to pharmaceutical companies for their new clinical trials, and several amendments executed to extend existing service contracts with pharmaceutical companies.



76% of sales revenue for the year was derived from the United States and Canada with the UK contributing 18% and the balance spread across Europe, Australia, Asia and The Middle East. Commercial revenue combined with voucher revenue accounted for 55% of total revenue, with clinical trials and other studies making up the balance. Receipts from customers were \$3,601,142, up 2% from the previous year’s result.

Net Profit after Tax (NPAT)

Excluding non-cash share-based payment expenses for employee options and Directors options, the Company recorded a Net Profit after Tax for the full year of \$1,121,147 (Graph 1 below). Including the non-cash share-based payment expenses, the Company reported a Net Loss after Tax for the full year of \$715,076 (see Graph 2 below). This reported loss is due to a non-cash share-based payment expense of employee options of \$140,324 and Director options expense of \$1,695,899 and related payroll tax expenses of \$27,060 as a result of options vesting of Directors’ options. The Directors options were approved by shareholders at the Company’s AGM held on 28 November 2019.



Research and Development

Resonance Health has applied for regulatory clearance from the US Food and Drug Administration (“FDA”) for HepaFat-AI, the Company’s newly developed and fully automated AI liver fat quantification tool (see ASX announcement on 06 April 2020). If successful, HepaFat-AI will be the second of the Company’s AI tools to gain FDA regulatory clearance (the first of these tools is FerriSmart, which is used for liver iron concentration calculation). These tools have been developed as part of the Company’s AI research and development (“R&D”) stream.

The Company has also progressed its Molecular Medicine R&D stream over the financial year using in-house expertise in molecular biology. This year, two provisional patents have been filed on behalf of the Company (see ASX announcements on 20 November 2019 and 25 May 2020).

The Company received an R&D tax incentive of \$239,900 for eligible R&D work expended by the Company for the financial year ended 30 June 2019.

Overall R&D expenditure totalled \$880,286 for the financial year, up from \$820,075 in the previous year.

R&D expenditure comprised the following for the year:

- \$246,512 recognised as an intangible asset on the Statement of Financial Position.
- \$265,208 amortisation expense recognised in the Statement of Comprehensive Income
- \$152,280 R&D expense recognised in the Statement of Comprehensive Income
- \$216,286 employee benefits expense recognised in the Statement of Comprehensive Income

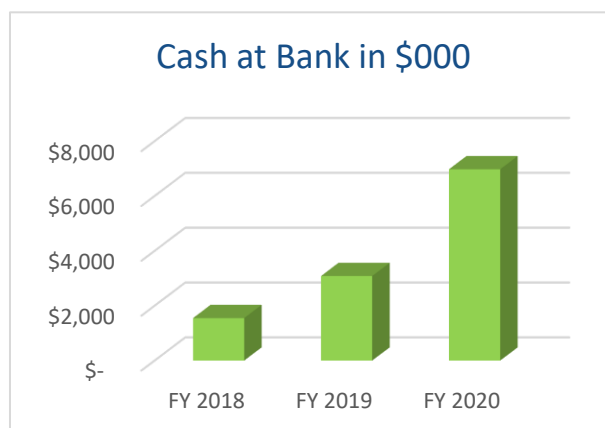
Intangible assets, representing capitalised development expenditure, totalled \$2,532,122 at the end of financial year. By comparison, intangible assets totalled \$2,550,818 at the end of the 30 June 2019 financial year.

The Company continues to assess opportunities to expand its core business, with R&D expenditure targeted specifically towards the diversification of in-house R&D projects by establishing three key areas of focus, artificial intelligence, imaging, and molecular medicine.

Cash

Cash balance at 30 June 2020 totalled \$6.97 million, in comparison to the 30 June 2019 cash balance of \$3.08 million. The financial year included an R&D tax incentive refund of \$240K and a capital raising of \$2.75m via the utilisation of a controlled placement agreement (“CPA”). Further details of the CPA are included in the Company’s announcement dated 30 April 2019.

The Company has no debt.



Strategy for Growth

The Company's strategy to grow commercial sales revenue includes the strategic utilisation of third-party distribution and servicing platforms with extensive existing customer bases across the five continents. This strategy enables the Company to minimise customer acquisition and service distribution costs, retain a product development focus, and pursue new revenue opportunities for the existing product suite. Over the past twelve months this strategy has seen the Company further expand its established distribution network by signing agreements with Siemens Healthcare GmbH and 3DR Laboratories. These agreements allow the Company's FerriSmart® AI solution to be offered through the Siemens Healthineers Digital Marketplace and sold as part of 3DR's post-processing services to their customers in the United States (see ASX announcements dated 04 February 2020 and 28 November 2019).

The strategy to grow revenue from clinical trials includes increasing incremental sales to existing customers, as well as a continued focus on relationship and brand awareness building with potential pharmaceutical and therapeutic customers. The strategy will continue to be implemented in FY21, leveraging off the Company's FY20 success.

~ENDS~

Authorised by:

This announcement has been authorised for release in accordance with the delegated authority of the Board of Directors of Resonance Health Limited.

Further Information

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About Resonance Healthcare

Resonance Health is an Australian publicly listed healthcare company specialising in the development and commercialisation of medical imaging-related technologies and analysis services. Resonance Health has gained endorsement by leading physicians worldwide for consistently providing the highest quality of quantitative measurements essential in the management of particular diseases. Resonance Health uses internationally regulatory cleared proprietary software in the provision of services used by clinicians in the diagnosis and management of human diseases, researchers, and pharmaceutical and therapeutic companies in their clinical trials. The company's services are delivered to 46 countries and stringent quality control oversees this delivery globally. Resonance Health's dedication to scientific rigour in the development and implementation of its analysis services has enabled it to achieve regulatory clearances on a number of products (SaMD) in the US, Europe and Australia. Resonance Health carries ISO 13485:2016 certification.



RESONANCE HEALTH LIMITED
(ABN 96 006 762 492)

APPENDIX 4E

PRELIMINARY FINAL REPORT

30 JUNE 2020

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

Appendix 4E Preliminary final report

Introduced 1/1/2003. Origin Appendix 4B

Name of entity

Resonance Health Limited

ABN or equivalent company
reference

96 006 762 492

Preliminary final
(tick)

✓

Financial year ended
('current period')

30 JUNE 2020

Results for announcement to the market

	Change	2020	2019
Revenues from ordinary activities	Up 1%	\$3,668,184	\$3,624,545
Revenues from other activities	Up 521%	\$231,239	\$37,228
Profit from ordinary activities after tax attributable to members	Down 156%	(\$715,076)	\$1,270,233
Profit for the period attributable to members	Down 156%	(\$715,076)	\$1,270,233

No dividend has been declared.

Net tangible assets per security

	2020	2019
Net tangible assets	\$7,373,855	\$3,342,762
Shares Issued	443,773,933	422,497,568
Net tangible assets per share	1.66 cents	0.79 cents

Entities over which control has been gained or lost

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

		Consolidated	
	Notes	2020 \$	2019 \$
Sales revenue	1(a)	3,668,184	3,624,545
Other income	1(b)	231,239	37,228
Revenue		3,899,423	3,661,773
Employee benefits expense		(1,734,589)	(1,432,104)
Share-based payments		(1,836,223)	(239,109)
Consulting and professional services		(108,822)	(92,801)
Research and development		(152,280)	(63,177)
Depreciation expense		(75,364)	(23,815)
Amortisation expense		(265,208)	(221,239)
Marketing and travel		(236,457)	(266,307)
Statutory and compliance		(215,917)	(154,247)
Foreign exchange gain/(loss)		(4,024)	37,361
Other expenses		(223,239)	(264,657)
Profit/(loss) before income tax benefit		(952,700)	941,678
Income tax benefit	2	237,624	328,555
Net profit/(loss) for the year attributable to owners of the parent		(715,076)	1,270,233
Other comprehensive income		-	-
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive (loss)/income for the year attributable to owners of the parent		(715,076)	1,270,233
Basic and diluted (loss)/earnings per share (cents per share)	4	(0.17)	0.31

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

		Consolidated	
	Note	2020 \$	2019 \$
Current Assets			
Cash and cash equivalents	5	6,974,237	3,081,192
Trade and other receivables		765,606	661,902
Other assets		39,871	36,320
Total Current Assets		7,779,714	3,779,414
Non-Current Assets			
Plant and equipment		27,431	40,511
Right-of-use asset	13	111,849	-
Intangible assets	6	2,532,122	2,550,818
Other assets		45,900	45,900
Total Non-Current Assets		2,717,302	2,637,229
Total Assets		10,497,016	6,416,643
Current Liabilities			
Trade and other payables	7	385,272	392,809
Provisions	8	75,821	75,855
Other liabilities	9	13,843	54,399
Current lease liability	14	55,998	-
Total Current Liabilities		530,934	523,063
Non-Current Liabilities			
Non-current lease liability	14	60,105	-
Total Non-Current Liabilities		60,105	-
Total Liabilities		591,039	523,063
Net Assets		9,905,977	5,893,580
Equity			
Share capital	10	72,565,449	69,674,199
Reserves		2,045,950	209,727
Accumulated losses		(64,705,422)	(63,990,346)
Total Equity		9,905,977	5,893,580

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

Consolidated

	Note	Share Capital \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2018		69,424,199	(270,580)	241,198	(65,260,579)	4,134,238
Profit for the year		-	-	-	1,270,233	1,270,233
Other comprehensive loss		-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,270,233	1,270,233
Shares issued		250,000	-	-	-	250,000
Equity settled share-based payments		-	-	239,109	-	239,109
Balance at 30 June 2019		69,674,199	(270,580)	480,307	(63,990,346)	5,893,580
Loss for the year		-	-	-	(715,076)	(715,076)
Other comprehensive loss		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(715,076)	(715,076)
Shares issued		2,891,250	-	-	-	2,891,250
Equity settled share-based payments	11	-	-	1,836,223	-	1,836,223
Balance at 30 June 2020		72,565,449	(270,580)	2,316,530	(64,705,422)	9,905,977

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	Consolidated	
		2020 \$	2019 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		3,601,142	3,538,602
Payments to suppliers and employees		(2,654,492)	(2,273,443)
Grants received		88,000	-
Interest received		47,639	21,343
Interest paid		(9,135)	-
Income tax received		237,624	328,555
Net cash provided by operating activities	5(i)	1,310,778	1,615,057
Cash flows from investing activities			
Payments for plant and equipment		(2,106)	(3,340)
Payments for intangible assets		(248,526)	(344,653)
Net cash used in investing activities		(250,632)	(347,993)
Cash flows from Financing activities			
Proceeds from the exercise of options		141,250	250,000
Proceeds from issues of equity securities		2,750,000	-
Reduction in finance lease principal		(51,671)	-
Share issue cost paid		(15,000)	-
Net cash used in financing activities		2,824,579	250,000
Net (decrease)/increase in cash and cash equivalents		3,884,725	1,517,064
Foreign exchange differences on opening cash balances		8,320	15,040
Cash and cash equivalents at the beginning of year		3,081,192	1,549,088
Cash and cash equivalents at the end of the year	5	6,974,237	3,081,192

The accompanying notes form part of these financial statements.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Revenues

(a): Disaggregated Revenue

Consolidated	Consolidated
Twelve months to	Twelve months to
30 June	30 June
2020	2019
\$	\$

The group derives its revenue from the services at a point in time and over time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment:

Commercial Revenue	2,007,927	2,084,562
Voucher Program	25,342	90,441
Clinical Trials	1,587,337	1,414,363
Other Studies	47,578	35,179
Total Revenue from contracts with customers	3,668,184	3,624,545

Reconciliation of revenue from contracts with customers with the amounts disclosed in segment information

	Consolidated	Consolidated
	Twelve months to	Twelve months to
	30 June	30 June
	2020	2019
	\$	\$
Segment revenue	3,668,184	3,624,545
Adjustments and eliminations	-	-
Total revenue from contracts with customers	3,668,184	3,624,545
	2020	2019
	\$	\$

(b) Other income

Grants received	189,925	-
Interest received	41,314	37,228
	231,239	37,228

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Income tax benefit

The major components of tax benefit are:

	\$	\$
Current taxation	-	-
R&D tax offset	237,624	328,555
	<u>237,624</u>	<u>328,555</u>

NOTE 3: Segment information

Business Segments

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

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2020.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	3,668,184	-	231,239	3,899,423
Segment profit/(loss) before taxation	1,583,246	(300,400)	(2,235,546)	(952,700)
Segment assets	765,606	2,532,122	7,199,288	10,497,016
Segment liabilities	399,115	-	191,924	591,039

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2019.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	3,624,545	-	37,228	3,661,773
Segment profit/(loss)	1,885,252	(232,942)	(710,632)	941,678
Segment assets	661,902	2,550,818	3,203,923	6,416,643
Segment liabilities	447,208	-	75,855	523,063

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: Earnings per share	<u>2020</u>	<u>2019</u>
(Loss)/Earnings per share (cents)	(0.17)	0.31
(a) (Loss)/Profit used in the calculation of basic (loss)/earnings per share	(715,076)	1,270,233
	2020 Number	2019 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	432,385,267	405,840,034

The dilutionary impact of options did not change the earnings per share.

	2020 \$	2019 \$
NOTE 5: Cash and cash equivalents		
Deposits at call	929,779	1,081,192
Term deposits	6,044,458	2,000,000
	6,974,237	3,081,192

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

Profit for the year	(715,076)	1,270,233
Non-cash flows in loss:		
Depreciation expense	75,364	23,815
Amortisation expense	265,208	221,239
Share based payment expense	1,836,223	239,109
Employee share costs	-	-
Changes in net assets and liabilities:		
Trade and other receivables	(103,278)	(103,319)
Other assets (current)	(3,551)	(2,688)
Other assets (non-current)	-	-
Trade and other payables	(44,078)	(50,587)
Other provisions	(34)	17,255
Net cash provided/(used in) by operating activities	1,310,778	1,615,057

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: Intangible assets

	2020	2019
Development expenditure	\$	\$
At cost	3,716,832	3,470,321
Less: accumulated amortisation	(1,184,710)	(919,503)
Total development expenditure	<u>2,532,122</u>	<u>2,550,818</u>

Reconciliation

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

Intangible assets		
Carrying amount at the beginning of the year	2,550,818	2,422,680
Additions	246,512	349,377
Amortisation expense	(265,208)	(221,239)
Carrying amount at the end of the year	<u>2,532,122</u>	<u>2,550,818</u>

NOTE 7: Trade and Other Payables

Trade payables	53,617	91,289
Sundry creditors and accruals	331,655	301,520
	<u>385,272</u>	<u>392,809</u>

NOTE 8: Provisions

Long service leave	75,821	75,855
	<u>75,821</u>	<u>75,855</u>

NOTE 9: Other liabilities

Unearned income	13,843	54,399
	<u>13,843</u>	<u>54,399</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: Share Capital

	Number	Value
Share capital:		
Balance as at 1 July 2018	402,497,568	\$69,424,199
Share issue on conversion of options	-	\$250,000
Share issue to Acuity Capital	20,000,000	-
Balance as at 30 June 2019	422,497,568	\$69,674,199
Movements in ordinary shares during the year		
Balance as at 1 July 2019	422,497,568	\$69,674,199
Share issue on conversion of options	8,500,000	\$141,250
Share issue under ESS	136,365	\$15,000
Controlled placement agreement costs	-	(\$15,000)
Share issue to Acuity Capital (i)	12,640,000	\$2,750,000
Balance as at 30 June 2020	443,773,933	\$72,565,449

(i) As collateral for the Controlled Placement Agreement, the Company agreed to place additional 12,640,000 shares from its Listing Rule 7.1 capacity, at issue price of \$0.218 per share to Acuity Capital (collateral shares) but may, at any time, cancel the Controlled Placement Agreement and buy back the collateral shares for no consideration.

NOTE 11: Share-based payments

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is \$1,836,223. The following share-based payment arrangements were in place during the current period:

	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Series 1	4,000,000	28/11/2019	28/11/2022	0.15	\$588,423
Series 2	4,000,000	28/11/2019	28/11/2022	0.175	\$564,476
Series 3	4,000,000	28/11/2019	28/11/2022	0.20	\$543,000
Series 4	200,000	02/12/2019	02/12/2022	0.10	\$27,830

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: Share-based payments (Continued)

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year.

	2020		2019	
	Number	Weighted Average exercise price \$	Number	Weighted Average exercise price \$
Outstanding at the beginning of year	33,500,000	\$0.0744	21,000,000	\$0.0600
Granted during the year	12,200,000	\$0.170	12,500,000	\$0.0985
Exercised during the period	(8,500,000)	-	-	-
Forfeited during the year	(5,000,000)	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of year	32,200,000	\$0.122	33,500,000	\$0.0744
Exercisable at the end of year	32,200,000	\$0.122	33,500,000	\$0.0744

The fair value of the equity-settled share options granted under the option plans is estimated as at the date of grant using the Black-scholes model taking into account the terms and conditions upon which the options were granted.

	Dividend (%)	Volatility (%)	Risk-free interest rate (%)	Expected life of option (years)	Exercise price \$	Grant date share price \$
Series 1	0	100	0.66	3.00	0.150	0.2150
Series 2	0	100	0.66	3.00	0.175	0.2150
Series 3	0	100	0.66	3.00	0.200	0.2150
Series 4	0	100	0.73	3.00	0.100	0.190

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: AASB 16 Leases

Change in Accounting Policy

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on accumulated losses under this approach, and comparatives have not been restated.

The Group leases various premises, plant and equipment. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Company is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.

Lease payments included in the initial measurement of the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of purchase options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

An extension option is included within the property lease held by the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there is a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: AASB 16 Leases (Continued)

Impact on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 4.79%.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

In the Condensed Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of \$167,774 and lease liabilities of \$167,774 in respect of all operating leases, other than short-term leases and leases of low-value assets.

The net impact on retained earnings on 1 July 2019 was \$nil.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- For existing contracts as at 1 July 2019, the Group has elected to apply the definition of lease contained in AASB 117 and Interpretation 4 and has not applied AASB 16 to contracts that were previously not identified as leases under AASB 117 and Interpretation 4;
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019:

	\$
Operating lease commitments disclosed as at 30 June 2019	180,373
Discounted using the lessee's incremental borrowing rate at the date of initial application	167,774
Less: Short term leases recognised on a straight-line basis as an expense	-
Less: Low value leases recognised on a straight-line basis as an expense	-
Less: Contracts reassessed as service agreements	-
Add: Adjustment as a result of a different treatment of extension and termination options	-
Lease liabilities as at 1 July 2019	<u>167,774</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: RIGHT-OF-USE ASSETS

Carrying value

	Premises
	\$
Cost	167,774
Accumulated depreciation	(55,925)
Carrying value as at 30 June 2020	<u>111,849</u>

NOTE 14: LEASE LIABILITIES

	Premises
	\$
Current liabilities	55,998
Non-current liabilities	60,105
Total	<u>116,103</u>

AASB 16 has been adopted during the period, refer note 12 for details.

The Group leases only premises. The remaining term of the lease is 24 months.

Underlying assets serve as security for the related lease liabilities. A maturity analysis of future minimum lease payments is presented below:

	Lease payments due		
	<1 year	1-2 years	Total
30 June 2020	\$	\$	\$
Lease payments	60,100	61,903	122,003
Interest	4,102	1,798	5,900
Net present values	55,998	60,105	116,103

Total cash outflow relating to leases for the period ended 30 June 2020 was \$58,350.

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

Agha Shahzad Pervez
CFO & Company Secretary