

20 February 2017

Company Announcements Office
Australian Securities Exchange

Nanosonics reports half year financial results

HIGHLIGHTS

- First half sales of \$36.1 million, up 33% on prior half (\$27.2 million) and up 132% on prior corresponding period (\$15.6 million).
- Operating profit before tax of \$10.3 million, up 203% on prior half (\$3.4 million) and compares with an operating loss of \$3.2 million in prior corresponding period.
- Free cash flow for the half year of \$8.2 million, up 19% on prior half (\$6.9 million) and compares with negative free cash flow of \$5.0 million in the prior corresponding period.
- Cash reserve of \$56.9 million, maintains strong balance sheet to support growth strategy.
- All regions contributing to growth with strong sales in North America continuing.
- Managed Equipment Service (MES) model gaining traction in the United Kingdom.
- Nanosonics Canada direct operations established and direct selling commenced in second half.
- Preparations for further geographical expansion continued with distribution negotiations taking place in Japan and Middle East.
- R&D activities associated with our product portfolio expansion and multigenerational trophon program are progressing well with increased investment made in the half.

Nanosonics (ASX: NAN), a leader in infection control solutions, today announced its Appendix 4D Half Yearly Report for the half year ending 31 December 2016.

\$ millions	H1 FY17	H1 FY16	Change	
Sale of goods and services	36.1	15.6	↑	132%
Gross profit	26.3	12.6	↑	109%
%	73%	81%		
Selling, general and administration expenses	(12.9)	(13.1)	↓	2%
Research and development expenses	(4.3)	(3.3)	↑	30%
Other income	0.8	0.3	↑	167%
Finance income (net)	0.4	0.2	↑	100%
Operating income/(loss) before income tax	10.3	(3.3)		
Income tax benefit ¹	11.7	-		
Profit/(loss) after income tax	22.0	(3.3)		

1. A detailed explanation of the income tax benefit recorded in period is provided in note 3 of the accompanying Interim Consolidated Financial Report.

FY17 first half sales of \$36.1 million were up 33% compared with FY16 second half sales of \$27.2 million and were up 132% on prior corresponding period sales of \$15.6 million. In constant currency terms i.e. current period sales calculated using the average exchange rate of the comparative periods, FY17 first half sales were up 36% compared with second half FY16 and 142% compared with first half FY16.

The increase in sales revenue in the first half reflects:

- Continuing strong adoption of trophon in North America, driven by the Nanosonics direct sales team together with the Company's distribution partner, GE Healthcare. The total installed base grew by over 2,000 units in the first half, taking the total North American installed base to over 10,700 units as at the end of December;
- Increasing revenue from consumables and service associated with a global installed base that grew to over 12,300 units during the period; and
- GE Healthcare building its inventory of trophon units from a low level at the beginning of the half to meet its safety stock requirements. It is anticipated that current safety stock levels will be maintained throughout the second half.

Gross profit increased to \$26.3 million compared with \$19.5 million in the prior half and \$12.6 million in the prior corresponding period. Gross margin as a percent of sales was 73% compared with 72% in the prior half.

Operating expenses grew to \$17.2 million for the half. This growth reflects an increased investment in R&D as Nanosonics continues to develop its 2nd generation of the trophon technology as well as new products as part of its overall portfolio expansion strategy. Increased investment was also made in sales and marketing activities, mainly to support sales growth in North America and market expansion activities in Europe and other markets. This increase was offset by increased recoveries of direct and indirect labour and overhead of \$1.3 million associated with the increased production volumes in the first half.

Operating profit before tax was \$10.3 million compared with a profit of \$3.4 in the prior half and an operating loss of \$3.2 million in the prior corresponding period.

Following an assessment of Nanosonics' operations it has been determined that it is probable that taxable profits will be generated against which carried forward tax losses and tax credits will be utilised. As a result, previously unrecognised deferred tax assets in relation to the Australian entities were recognised as a non-current asset. Accordingly, the Company recorded a net income tax benefit for the period of \$11.7 million. Taking this into account, net profit after income tax for the half year was \$22.0 million.

Free cash flow for the half year was \$8.2 million, up 19% on prior half of \$6.9 million. Cash as at 31 December 2017 totalled \$56.9 million providing a strong balance sheet for the Company to continue executing on its strategic growth agenda.

REGIONAL REVIEW

North America

Strong adoption of the trophon technology continued in North America during the half where the installed base grew by over 2,000 units resulting in a total North American Installed base of over 10,700 units. Significant investment in market awareness and educational activities were made and continue through both Nanosonics' direct sales team as well as GE Healthcare. The fundamentals for adoption remain strong, despite an element of uncertainty currently surrounding healthcare policy reform. Further investments in growth across all market segments are planned in the 2nd half as we continue to work to establish trophon as standard of care.

During the period, Nanosonics also established its direct operations in Canada with sales staff now in place. Whilst the product is approved and available in Canada a specific licence was required to be obtained by Nanosonics' 3rd party logistics provider to distribute the Sonex consumable. This licence has recently been granted and direct sales operations will commence this quarter.

Europe

In Europe, market development activities continued during the half with a number of important achievements and advancements made which will be built on during the second half.

United Kingdom

In the UK, the group focussed on building its direct sales and service operation as a result of new Scottish and pending English guidelines as well as the introduction of our Managed Equipment Service (MES) model.

- By the end of December, six of the fourteen Scottish NHS trusts had commenced adoption of trophon, following a series of educational and awareness activities undertaken by Nanosonics post the release of the new Scottish guidelines;
- Despite the delay in the publication of the expected new English guidelines, a number of the largest NHS trusts in England have commenced the adoption of trophon due to the superior efficacy and benefits it brings over current reprocessing techniques;
- The Managed Equipment Service business model (MES) in the UK, which is designed to help overcome NHS capital budget constraints, is gaining traction with the majority of trophon placements coming under this model in the half. Although the MES model results in capital revenue not being recognised upfront, the model is beneficial for both the customer and Nanosonics.

In France and Germany, a major focus has been on market development to strengthen the fundamentals for adoption of the trophon technology. This included numerous awareness initiatives, publications as well as consultation with key infection prevention societies and authorities. A number of important developments progressed during the period which has positive implications in strengthening the fundamentals for adoption of trophon moving forward. These developments include:

Germany

- A revised agreement was put in place between the health insurance funds and the National Association of Statutory Health Insurance Physicians whereby its members must decontaminate ultrasound probes in accordance with the guidance provided by the ultrasound probe OEMs. The guidance by the Ultrasound OEM's must in turn be supported by expert report on the virucidal, bactericidal and fungicidal efficacy of the decontamination process;
- In December 2016, the first official statement by DGKH (German Hospital Hygiene Society) on ultrasound reprocessing was made. This statement reinforced the guidelines of the commission for hospital hygiene and infection prevention at the Robert-Koch-Institute (RKI) and the Federal Institute for Drugs and Medical Devices (BfArM). The DGKH stated that Ultrasound Probe OEMs must prove efficacy of their recommended decontamination process by expert report. It also stated that if multiple procedures are available then the safest one, usually automated, should be chosen and the chosen process, including manual processes if chosen (e.g. using wipes) must be validated and documented.

France

- Since 2008, the High Council of Public Health (HCSP) has permitted Low Level Disinfection (LLD) as an alternative for the reprocessing of intracavity probes provided certain conditions were met, including the use of a probe cover and stringent visual inspections of the probe cover and probe for contamination after use.
- In the first half of FY17, the Ministry of Health (MOH) issued a new statement where LLD remains an acceptable alternative, however strict compliance with the stringent visual inspection requirements of the probe after use plus more strict hygiene processes are now required and will be regularly audited. The MOH also recognised that LLD and Intermediate Level Disinfection (ILD) do not work on HPV with the Ministry of Health calling for additional studies on the risk of the presence of HPV on ultrasound probes plus the risk of cross contamination. The MOH also commissioned an audit of current intracavity ultrasound probe reprocessing practices in the medical community;
- In addition a report from the High Council of Public Health now states that an HLD solution should be permanently available in every facility performing intracavity ultrasound examinations and that such solution should be effective against native HPV;

Market development efforts through awareness and education activities with both the clinical community and the ultrasound manufactures will continue in Germany and France in the 2nd half ensuring the necessary market segments are made aware of the new developments in ultrasound probe reprocessing.

Australia / New Zealand

Adoption of trophon continued during the half in Australia and New Zealand off an already high installed base. Australia is a good example of the ability of trophon to become standard of care when relevant guidelines are in place requiring high level disinfection. It is expected these guidelines will be further reinforced through the release of a new joint guideline between the Australian Society of Ultrasound in Medicine (ASUM) and the Australasian College for Infection Prevention and Control (ACIPC) which we anticipate will further reinforce the importance and requirement of high level disinfection across all semi-critical ultrasound device procedures.

Rest of World

The market commercialisation and distribution strategy for Japan progressed positively during the half. The trophon technology will be demonstrated at the forthcoming annual meeting of the Japanese Society of Infection Prevention and Control (JSIPC) in Kobe in February and at the Japanese Society of Obstetrics and Gynaecology (JSOG) in April.

In the Middle East, registrations are now in place in Saudi Arabia, Kuwait, Qatar and the United Arab Emirates and our distribution strategies for entry into those markets are expected to progress in the second half.

“These excellent first half results in both sales and operating profit as well as the advances in our market development activities demonstrate the ongoing commitment to the execution of our strategic growth plan, said Michael Kavanagh, Nanosonics’ Chief Executive Officer and President. “The fundamentals for adoption remain strong in North America where there is still a large opportunity for further growth and importantly these fundamentals are beginning to be replicated in other markets around the world through new guidelines and directives being developed and introduced.

“Our focus very much remains on strengthening our position in those markets where we already have a presence, expanding our footprint into new geographies and importantly bringing new products to market that address unmet needs through our product portfolio expansion strategy. Further investment in sales, market development and geographical expansion will be made as well as continued investment in our product portfolio expansion strategy. These investments are expected to result in our operating expenses reaching approximately \$39.0 million for the full financial year which is in line with the investment level communicated at the beginning of the year.”

Investor conference call

Investors are invited to join a conference call hosted by Mr Michael Kavanagh, CEO and President and Mr McGregor Grant, CFO at **11.00am AEST on Monday 20 February 2017.**

Conference ID: 7405 6046

Australian Participant Dial-in Numbers

Toll: +61 2 8038 5221 (can be used if dialing from international location)

Toll Free: 1800 123 296

International Participant Dial-in Numbers

Toll-free dial-in numbers for each country are listed below. For countries not listed below, the Australian Toll number provided above may be used.

Canada	1855 5616 766
China	4001 203 085
Hong Kong	800 908 865
India	1800 3010 6141
Japan	0120 477 087
New Zealand	0800 452 782
Singapore	800 616 2288
United Kingdom	0808 234 0757
United States	1855 293 1544

An archive of the conference call will be available at www.obenbriefing.com.

Michael Kavanagh
CEO / President

For more information please contact:

Michael Kavanagh, CEO / President or McGregor Grant, CFO, on (02) 8063 1600

Kyahn Williamson, Investor Relations, Buchan Consulting on (03) 9866 4722

Ben Walsh, Media Relations, Buchan Consulting on (03) 9866 4722.

About Nanosonics

Nanosonics Limited is developing a portfolio of decontamination products designed to reduce the spread of infection. The Company owns intellectual property relating to a unique disinfection and sterilisation technology which can be suited to a variety of markets. Initial market applications are designed for the reprocessing of reusable medical instruments. The Company's first product is designed to disinfect Ultrasound Transducers. For more information about Nanosonics please visit www.nanosonics.com.au

Appendix 4D

Nanosonics Limited Half Yearly Report

ABN: 11 095 076 896

Reporting period: 31 December 2016

Previous period: 31 December 2015

Results for announcement to the market

	31 December 2016 \$'000	31 December 2015 \$'000	Movement		
				%	\$'000
Revenue from ordinary activities excluding other income	36,120	15,577	up	132%	20,543
Revenue from ordinary activities	37,357	16,431	up	127%	20,926
Profit/(loss) from ordinary activities before tax	10,270	(3,235)	up	nm	13,505
Profit/(loss) from ordinary activities after tax attributable to members*	21,985	(3,245)	up	nm	25,230
Net profit/(loss) for the period attributable to members	21,985	(3,245)	up	nm	25,230
	Cents	Cents			Cents
Basic earnings/(loss) per share	7.40	(1.20)	up	nm	8.60
Dividend per share	-	-			
Net tangible assets per share	27.11	14.76	up	84%	12.35

nm – % not meaningful

Dividends	Amount per security	Franked amount per security
Interim dividend per share (cents)	-	-
Previous corresponding period (cents)	-	-

Record date for determining entitlements to the dividend and dividend payment date are not applicable. There were no distributions of dividends during the period. No dividend reinvestment plans were in operation during or since the half-year.

There were no entities over which control has been gained or lost during the period.

The Group has no associates or joint venture entities.

The Group applies International Accounting Standards in compiling the financial report of its wholly-owned foreign entities Nanosonics Europe GmbH, Nanosonics, Inc., Nanosonics Canada, Inc., Nanosonics Europe Limited and Nanosonics UK Limited.

The financial statements included in the half year report are not subject to audit dispute or qualification.

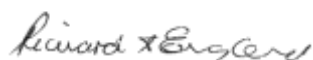
The information set out above and in the attached half year report is provided to the ASX in accordance with a resolution of the Directors.

*The profit from ordinary activities after tax attributable to members for the period ended 31 December 2016 includes the effect of the recognition of deferred tax assets. For further explanation of this matter and all of the other above movements, please refer to the attached Directors' Report.

Attachments:

The Half-Year Report of Nanosonics Limited for the period ended 31 December 2016 is attached.

On behalf of the directors



Richard England

Director

Sydney, 20 February 2017



**HALF-YEAR REPORT
31 DECEMBER 2016**

Directors' report

For the six months ended 31 December 2016

Your Directors present their report, together with the Interim Consolidated Financial Report for Nanosonics Limited (the Company) and its controlled entities (together the Group) for the six months ended 31 December 2016, and the Auditor's review report thereon.

Principal activities

During the year, the principal activities of the Group consisted of:

- Manufacturing and distribution of the trophon® EPR ultrasound probe disinfectant and its associated consumables and accessories; and
- Research, development and commercialisation of infection control and decontamination products and related technologies.

Further information is included in the Review of results and operations, below and in the financial statements.

Other than as discussed in this report, there have been no significant changes in the nature of these activities for the half-year ended 31 December 2016.

Directors

The directors of the Company, during the half year and until the date of this report are set out below. The directors were in office for the entire period unless otherwise stated:

Non-executive Directors

Maurie Stang (Chairman)

Richard England

David Fisher

Steven Sargent (appointed 6 July 2016)

Marie McDonald (appointed 24 October 2016)

Executive Directors

Michael Kavanagh (CEO and President / Managing Director)

Ron Weinberger (resigned as a director 4 November 2016)

Directors' report

For the six months ended 31 December 2016

Review of results and operations

	31 December 2016	31 December 2015
	\$'000	\$'000
Sale of goods and services	36,120	15,577
Cost of sales	(9,822)	(2,945)
Gross profit	26,298	12,632
Selling, general and administration expenses	(12,960)	(13,121)
Research and development expenses	(4,264)	(3,271)
Other income	757	257
Finance income	480	597
Finance expense	(41)	(329)
Operating income/(loss) before income tax	10,270	(3,235)
Income tax benefit/(expense) (note 3)	11,715	(10)
Profit/(loss) attributable to members	21,985	(3,245)
	31 December 2016	30 June 2016
	\$'000	\$'000
Cash and cash equivalents	56,873	48,841
Net assets	81,011	56,664

Sales increased by 132% to \$36,120,000 mainly due to higher sales in North America where the installed base of trophon®EPR increased by over 2,000 units in the six months to 31 December 2016.

Gross profit increased to \$26,298,000 compared with \$12,632,000 in the prior half year. Gross margin as a percent of sales was 73% compared with 81% in the prior corresponding period. The decrease in gross margin is due to a higher proportion of sales to the Company's North American distribution partner, GE Healthcare, as it resumed purchases of capital equipment in the second half of the 2016 financial year.

Selling, general and administration expenses (SG&A) were \$12,960,000 compared with \$13,121,000 in the prior corresponding period. The change in SG&A is attributable to an increase in costs of \$1,137,000 mainly to support increased sales in North America and market expansion activities in Europe and other markets. This increase was offset by increased recoveries of direct and indirect labour and overhead of \$1,298,000 associated with the increased production volumes in the first half.

Research and development expenses (R&D) for the six months to 31 December 2016 were \$4,264,000, an increase of 30% compared with the prior corresponding period. This increase is consistent with the Company's commitment to strategic investment in R&D targeted at design and development activities associated with future generations of the trophon technology as well as investment in research on novel new solutions aimed at addressing considerable unmet needs in the infection prevention field.

Other income increased \$500,000 compared with the prior half year, mainly as a result of higher net foreign exchange gains.

Directors' report

For the six months ended 31 December 2016

Following an assessment of the operations of the Group during the half year to 31 December 2016, it has been determined that it is probable that taxable profits will be generated against which carried forward tax losses and tax credits will be utilised. As a result, previously unrecognised deferred tax assets in relation to the Australian entities were recognised as a non-current asset. As at 31 December 2016, net deferred tax assets recognised amounted to \$13,561,000 (2015: Nil). Accordingly, the Company recorded a net income tax benefit for the period of \$11,715,000 (2015: Income tax expense \$10,000), as further detailed in note 3.

Cash at 31 December 2016 totalled \$56,873,000, an increase of \$8,032,000 compared with the prior corresponding period. The cash on hand provides a strong balance sheet for the Company to continue executing on its growth strategies.

Subsequent Events

Note 9.5 sets out details of events subsequent to 31 December 2016 that may significantly affect the interim consolidated financial statements or require disclosure.

Apart from the items included in note 9.5 and in the half-year report, there are no matters or circumstances that have arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- a) the Group's operations in the current or future financial years;
- b) the results of those operations in the current or future financial years; or
- c) the Group's state of affairs in the current or future financial years.

Rounding

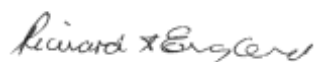
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) and where noted (\$'000) under the option available to the Company under ASIC Instrument 2016/191. The Company is an entity to which that instrument applies.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This Report is made and signed in accordance with a resolution of the Directors made pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Richard England

Director

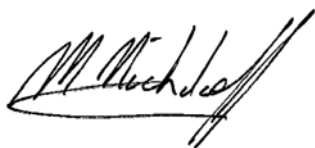
Sydney, 20 February 2017

**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

To the Directors of Nanosonics Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

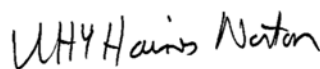


Mark Nicholaeff

Partner

Sydney

Dated: 20 February 2017



UHY Haines Norton

Chartered Accountants

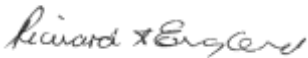
Directors' declaration

In the opinion of the Directors of Nanosonics Limited:

1. The interim financial statements and notes set out on pages 6 to 22 are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and
 - b. complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*; and other mandatory professional reporting requirements.
2. There are reasonable grounds to believe that Nanosonics Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Richard England

Director

Sydney, 20 February 2017

Nanosonics Limited

Interim consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2016

		31 December 2016	31 December 2015
	Notes	\$'000	\$'000
Sale of goods and services	2.1	36,120	15,577
Cost of sales		(9,822)	(2,945)
Gross profit		26,298	12,632
Selling and general expenses		(8,967)	(9,581)
Administration expenses		(3,993)	(3,540)
Research and development expenses		(4,264)	(3,271)
Other income	2.3	757	257
Results from operating activities		9,831	(3,503)
Finance income - interest		480	597
Finance expense - borrowing costs		(41)	(329)
Net finance income		439	268
Operating income/(loss) before income tax		10,270	(3,235)
Income tax benefit/(expense)	3.1	11,715	(10)
Net income/(loss) after income tax expense attributable to owners of the parent entity		21,985	(3,245)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on foreign currency translation		(574)	(312)
Income tax on items of other comprehensive income		-	-
Total Items that may be reclassified subsequently to profit or loss		(574)	(312)
Total other comprehensive income		(574)	(312)
Total comprehensive income/(loss) for the period attributable to owners of the parent entity		21,411	(3,557)
Earnings/(Loss) per share for losses attributable to ordinary shareholders of the company:			
		Cents	Cents
Basic earnings/(loss) per share	2.4	7.40	(1.20)
Diluted earnings/(loss) per share	2.4	7.30	(1.20)

The notes on pages 10 to 22 form an integral part of these interim consolidated financial statements.

Nanosonics Limited

Interim consolidated statement of financial position

As at 31 December 2016

		31 December 2016	30 June 2016
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	5.1	56,873	48,841
Trade and other receivables		6,890	7,734
Inventories		9,650	6,935
Derivative financial instruments		-	35
Prepayments and other current assets		1,155	1,050
Total current assets		74,568	64,595
Non-current assets			
Property, plant and equipment		3,256	3,304
Intangible assets		299	260
Net deferred tax assets	3.2	13,561	-
Other non-current assets		14	10
Total non-current assets		17,130	3,574
Total assets		91,698	68,169
LIABILITIES			
Current liabilities			
Trade and other payables		2,873	4,617
Deferred revenue		1,156	989
Employees benefits liabilities	4.1	2,128	2,238
Provisions	6.1	981	643
Borrowings		394	395
Derivative financial instruments		415	-
Total current liabilities		7,947	8,882
Non-current liabilities			
Trade and other payables		254	252
Deferred revenue		962	747
Employees benefits liabilities	4.1	304	205
Provisions	6.1	70	70
Borrowings		1,150	1,349
Total non-current liabilities		2,740	2,623
Total liabilities		10,687	11,505
Net assets		81,011	56,664
EQUITY			
Contributed equity	8.1	112,713	112,698
Reserves		9,693	7,346
Accumulated losses		(41,395)	(63,380)
Total equity		81,011	56,664

The notes on pages 10 to 22 form an integral part of these interim consolidated financial statements.

Nanosonics Limited

Interim consolidated statement of changes in equity

For the six months ended 31 December 2016

	Contributed Equity	Option premium on convertible notes	Reserves			Accumulated losses	Total equity
			Share- based payments	Foreign currency translation	Total reserves		
Note 8.1	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2016	112,698	-	7,107	239	7,346	(63,380)	56,664
Profit for the period	-	-	-	-	-	21,985	21,985
Other comprehensive income	-	-	-	(574)	(574)	-	(574)
Total comprehensive income	-	-	-	(574)	(574)	21,985	21,411
Transaction with owners in their capacity as owners							
Share-based payments	15	-	1,061	-	1,061	-	1,076
Income tax on share-based payments	-	-	1,860	-	1,860	-	1,860
At 31 December 2016	112,713	-	10,028	(335)	9,693	(41,395)	81,011
At 1 July 2015	103,059	376	4,709	34	4,743	(63,502)	44,676
Loss for the period	-	-	-	-	-	(3,245)	(3,245)
Other comprehensive income	-	-	-	(312)	(312)	-	(312)
Total comprehensive income	-	-	-	(312)	(312)	(3,245)	(3,557)
Transaction with owners in their capacity as owners							
Share-based payments	-	-	1,353	-	1,353	-	1,353
At 31 December 2015	103,059	376	6,062	(278)	5,784	(66,747)	42,472

The notes on pages 10 to 22 form an integral part of these interim consolidated financial statements.

Nanosonics Limited

Interim consolidated statement of cash flows

For the six months ended 31 December 2016

	31 December 2016	31 December 2015
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	37,394	13,638
Payments to suppliers and employees (inclusive of GST)	(29,143)	(18,264)
Interest received	532	646
Receipts from government grants	-	40
Income tax refund/(paid)	8	(5)
Net cash provided by/(used) in operating activities	8,791	(3,945)
Cash flows from investing activities		
Purchase of property, plant and equipment	(430)	(906)
Purchase of intangible assets	(120)	(133)
Proceeds from disposal of property, plant and equipment	-	23
Net cash (used) in investing activities	(550)	(1,016)
Cash flows from financing activities		
Proceeds from exercise of options	15	-
Proceeds from borrowings	-	2,048
Repayment of borrowings	(201)	(133)
Interest paid	(41)	(25)
Net cash (used) in/provided by financing activities	(227)	1,890
Net increase/(decrease) in cash and cash equivalents	8,014	(3,071)
Cash and cash equivalents at the beginning of the financial half-year period	48,841	45,724
Effects of exchange rate changes on cash and cash equivalents	18	(25)
Cash and cash equivalents at the end of the financial half-year period	56,873	42,628

5.1

The notes on pages 10 to 22 form an integral part of these interim consolidated financial statements.

Nanosonics Limited

Notes to the interim consolidated financial statements

For the six months ended 31 December 2016

1 General accounting policies

1.1 Reporting entity

Nanosonics Limited (the Company) is a publicly listed company, limited by shares, incorporated and domiciled in Australia. The interim consolidated financial report of the Company as at and for the six months ended 31 December 2016 comprises Nanosonics Limited and its subsidiaries (the Group). The interim financial report is presented in Australian dollars.

1.2 Basis of preparation

a. Statement of Compliance

The interim consolidated financial report for the reporting period ended 31 December 2016 is prepared in accordance with AASB134 Interim Financial Reporting (IAS34 Interim Financial Reporting) and the *Corporations Act 2001*.

The interim consolidated financial report does not include all of the information for a full annual report. Accordingly, this report should be read in conjunction with the Annual Financial Report for the Group as at and for the year ended 30 June 2016, together with the public announcements made by the Company during the half year and to the date of this report in accordance with continuous disclosure requirements of the *Corporations Act 2001*. The audited Annual Financial Report for the Company as at and for the year ended 30 June 2016 is available upon request from the Company's registered office and principal place of business at 14 Mars Road, Lane Cove NSW 2066, Australia or from the Investor Centre section of the Company's website: www.nanosonics.com.au. Copies of the Company's public announcements made during the half year and to the date of this report are also available from the Investor Centre section of the Company's website.

The interim consolidated financial report was approved by the Board of Directors on 20 February 2017.

b. Significant accounting policies

The accounting policies applied by the Group in the interim consolidated financial report are the same as those applied by the Group in the Annual Financial Report as at and for the year ended 30 June 2016.

c. Recognition of net deferred tax assets

Following an assessment of the operations of the Australian entities, the Group has determined that it is probable that taxable profits will be generated against which carried forward tax losses and tax credits can be utilised. As a consequence, previously unrecognised deferred tax assets in relation to the Australian entities were recognised as a non-current asset, as detailed in note 3.2 and resulted in a corresponding tax benefit, as detailed in note 3.1.

2 Performance for the year

2.1 Segment Information

i. Operating segment

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and CEO (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Group operates in a single operating segment, being the healthcare equipment segment. Accordingly, the Group's consolidated total assets are the total reportable assets of the operating segment.

ii. Types of products and services

The principal products and services of the healthcare equipment segment are the manufacture and commercialisation of infection control and decontamination products and related technologies.

iii. Major customers

The group has a number of customers to which it provides products and services. The most significant customer accounts for approximately 73% of external revenue (2015: 46%). The next most significant customer accounts for approximately 3% of external revenue (2015: 15%).

iv. Geographical information

Geographically, the Group operates in the global markets. Australia is the home country of the parent entity. Revenues are allocated based on the country in which the customer is located. Revenue from external customers by geographical location is detailed below.

	31 December 2016	31 December 2015
	\$'000	\$'000
North America	33,963	13,935
Australia and New Zealand	1,383	1,085
Europe and other countries	774	557
Total revenue	36,120	15,577

For the purpose of this note, non-current assets consist of property, plant and equipment, intangible assets and other non-current assets. Assets and capital expenditure are allocated based on where the assets are located. The analysis of non-current assets is detailed below:

	31 December 2016	30 June 2016
	\$'000	\$'000
North America	262	248
Australia and New Zealand	16,842	3,303
Europe and other countries	26	23
Total assets	17,130	3,574

2.2 Individually significant items

The profit/(loss) from ordinary activities before income tax includes:

	31 December 2016	31 December 2015
	\$'000	\$'000
Depreciation, amortisation and impairment	619	677
Rental expenses relating to operating leases	439	456
Inventory provision/write off	149	433
Loss/(gain) on disposal of fixed assets	3	(4)

2.3 Other income

Other income, including government grants, is recognised on a systematic basis over the period necessary to match it with related costs for which it is intended to compensate. If the costs have already been incurred, the amount is recognised in the period the entitlement is confirmed.

	31 December 2016 \$'000	31 December 2015 \$'000
Realised foreign exchange gains	66	239
Unrealised foreign exchange gains/(loss)	594	(24)
Net foreign exchange gains	660	215
Realised gain on foreign currency forward contracts and options	507	-
Unrealised loss on foreign exchange forward contracts and options	(415)	-
Net gain on foreign currency forward contracts and options	92	-
Government grants	-	40
Other income	5	2
Total	757	257

Previous period government grants comprise receipt of payments under the Export Market Development Grant scheme. There were no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other form of government assistance.

2.4 Earnings per share

i. Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit or loss attributable to equity holders of the Company for the reporting period, by the weighted average number of ordinary shares of the Company outstanding during the financial year.

ii. Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	31 December 2016 Cents	31 December 2015 Cents
(a) Basic earnings/(loss) per share		
Basic earnings/(loss) attributable to the ordinary equity holders of the company	7.40	(1.20)
(b) Diluted earnings/(loss) per share		
Diluted earnings/(loss) attributable to the ordinary equity holders of the company	7.30	(1.20)
	31 December 2016 \$'000	31 December 2015 \$'000
(c) Net earnings/(losses) used in calculating loss per share		
Net earnings/(losses) after income tax expense attributable to shareholders	21,985	(3,245)

	31 December 2016 Number	31 December 2015 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	296,530,473	283,123,159
Adjustments for calculation of diluted earnings per share:		
Options and performance rights unvested	3,794,081	- ¹
Convertible notes	-	- ¹
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	300,324,554	283,123,159

1. Options and performance rights granted under the Employee Share Option Plan and the General Share Option Plan and the Convertible notes are considered to be potential ordinary shares and have been excluded from the calculation of diluted loss per share for the period ended 31 December 2015 as the effect would have been anti-dilutive. These options and performance rights dilute basic earnings per share for the period ended 31 December 2016.

2.5 Dividends

No dividends were proposed, declared or paid during the interim financial period and to the date of this report (2015: Nil).

3 Taxation

Nanosonics Limited and its wholly-owned Australian resident entity, Saban Ventures Pty Limited, are part of a tax consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Nanosonics Limited.

3.1 Income tax benefit/(expense)

The major components of income tax benefit/(expense) for the period are:

	31 December 2016 \$'000	31 December 2015 \$'000
Consolidated statement of profit or loss		
Current tax		
Current tax expense for the period	(4,030)	(787)
Adjustments of current tax relating to prior periods	(94)	-
Deferred tax		
Recognition of deferred tax assets (net) including origination and reversal of temporary differences	15,839	777
Income tax benefit/(expense) reported in the statement of profit or loss	11,715	(10)
Consolidated statement of changes in equity		
Aggregate current and deferred tax not recognised in net profit or loss but directly debited or credited into equity		-
Current tax benefit on share-based payments	1,138	-
Deferred tax benefit on share-based payments	722	-
Tax benefit charged to equity	1,860	-

Following an assessment of the operations of the Group, it has been determined that it is probable that taxable profits will be generated against which carried forward tax losses and tax credits can be utilised. As a consequence, previously unrecognised deferred tax assets in relation to the Australian entities were recognised as a non-current asset as of 31 December 2016 amounting to \$13,561,000, as detailed in note 3.2.

The reconciliation of income tax benefit/(expense) to prima facie tax payable is as follows:

	31 December 2016	31 December 2015
	\$'000	\$'000
Operating profit/(loss) from ordinary activities	10,270	(3,235)
The prima facie income tax (expense)/benefit applicable to the operating profit/(loss) is calculated at the Australian tax rate of 30% (2015: 30%)	(3,081)	971
Tax effect of amounts in calculating taxable income		
Other deductible items	423	257
Research and development expense	(1,279)	(1,068)
Other non-deductible expenses	(320)	(407)
Other temporary differences	305	(47)
Effect of tax rate in foreign jurisdictions	(78)	(493)
Current tax expense	(4,030)	(787)
Adjustments of current tax relating to prior periods	(94)	-
Recognition and utilisation of deferred tax assets in Australia	17,767	2,079
Derecognition of deferred tax assets in foreign tax jurisdiction	(1,928)	(1,302)
Deferred tax benefit	15,839	777
Income tax benefit/(expense)	11,715	(10)

3.2 Deferred taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses and tax credits only if it is probable that future taxable amounts will be available to utilise these temporary differences, losses and credits, and on the assumption that no adverse change will occur in income tax legislation enabling the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Significant management judgment is required to determine the amount of the deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. These are reviewed at each reporting date.

An assessment of the operations resulted in the recognition of the deferred tax assets on losses, non-refundable R&D tax credits and temporary differences relating to the Australian tax consolidated group as it has been determined that it is probable that taxable profits will be generated against which these can be utilised.

As of 31 December 2016, the net deferred tax assets recognised in the statement of financial position comprises:

	31 December 2016
	\$'000
Deferred tax assets	
Non-refundable R&D tax credits	6,080
Tax losses	4,404
Share-based payments	1,338
Employee benefits liabilities	546
Patent costs	534
Provisions for warranties and make good	326
Share issue costs	150
Deferred revenue	139
Derivative financial instruments	125
Inventory provision	97
Deferred rent	81
Others	14
Total deferred tax assets	13,834
Deferred tax liabilities	
Unrealised foreign exchange gains	(180)
Accrued interest and other income	(74)
Prepayments	(3)
Property, plant and equipment	(16)
Total deferred tax liabilities	(273)
Net deferred tax assets	13,561

The Group offsets tax assets and liabilities only if it has legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

As of 31 December 2016, the Group has unrecognised deferred tax assets in relation to its subsidiaries.

Unrecognised deferred tax assets include:

	31 December 2016	30 June 2016
	\$'000	\$'000
Estimated tax losses carried forward (a)	6,245	18,077
Non-refundable R&D tax credits (b)	-	-
	6,245	18,077

	31 December 2016 \$'000	30 June 2016 \$'000
(a) Estimated unrecognised tax losses carried forward:		
Unrecognised tax losses carried forward at the beginning of the period	57,489	56,423
Adjustment in respect of unrecognised tax losses carried forward relating to prior periods ¹	(14,992)	(354)
Carried forward tax losses utilised by the Australian entities	(16,067)	(7,392)
Tax losses for the period related to non-Australian entities	5,251	8,812
Recognition of deferred tax assets on Australian tax losses	(14,679)	-
Estimated unrecognised tax losses carried forward at the end of the period	17,002	57,489
Potential tax benefit at 36.7% effective tax rate (30 June 2016: 31.4%)	6,245	18,077
	31 December 2016 \$'000	30 June 2016 \$'000
(b) Estimated unrecognised non-refundable R&D tax credits:		
Non-refundable R&D tax credits brought forward at the beginning of the period	-	3,841
Adjustment in respect of non-refundable R&D tax credits carried forward relating to prior periods ¹	11,097	(53)
Credits that arose during the period	4,263	7,297
Credits that were utilised during the period	-	(11,085)
Recognition of deferred tax assets on R&D tax credits	(15,360)	-
Estimated unrecognised non-refundable R&D tax credits at the end of the period	-	-

1. At 30 June 2016 it was anticipated that the Company would utilise the available R&D tax credits to offset its Australian current tax expense in relation to the year ended 30 June 2016. Subsequently, it was determined that the Company would first utilise carried forward tax losses instead of R&D tax credits.

The probability of recovery of unrecognised tax losses in relation to the subsidiaries is reviewed on an on-going basis.

4 Employee benefits

4.1 Employee benefit liabilities

	31 December 2016			30 June 2016		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Provision of annual leave	991	-	991	956	-	956
Provision for long service leave	281	304	585	272	205	477
Provision for bonuses	856	-	856	1,010	-	1,010
Total employee benefit liabilities	2,128	304	2,432	2,238	205	2,443

4.2 Share based payments

For the six months ended 31 December 2016, share-based payments expense amounted to \$1,061,000 (2015: \$1,353,000).

On 13 January 2017 the Company issued:

- 495,783 options and 351,669 performance rights to employees and key management personnel, including 211,306 options and 42,138 performance rights to the Executive Director, Michael Kavanagh, under the Nanosonics Omnibus Equity Plan in relation to the 2016 long term incentive scheme. The terms and conditions of the 2016 Invitation issue of options and performance rights were set out in the Notice of the Annual General meeting dated 27 September 2016; and
- 231,589 performance rights to employees, including Executive Director, Michael Kavanagh under the Nanosonics Omnibus Equity Plan in relation to the 2016 short term incentive scheme. The performance rights, which have a nil exercise price, will vest on 1 September 2017 and will expire on 1 September 2020. These performance rights are subject to service condition up to the date of vesting, after which they can be exercised until the expiry date.

5 Financial assets and financial liabilities

The carrying amounts and estimated fair value of the Group's financial assets and liabilities are materially the same.

5.1 Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments presented at market value that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents at the reporting date as shown in the consolidated statements of cash flows and financial position are as follows:

	31 December 2016	31 December 2015
	\$'000	\$'000
Cash at bank and on hand	14,646	7,367
Deposit on call	468	1,261
Short term deposits	41,759	34,000
Total cash and cash equivalents	56,873	42,628

5.2 Derivative financial instruments

The Group uses derivative financial instruments (foreign currency forward contracts and options) to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair values of forward currency contracts and options are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit and loss statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All of the Group's foreign exchange forward contracts and options were valued using market comparison technique (Level 2) and there were no transfers between levels during the period. The fair values are based on third party independent valuation. Similar contracts are traded in an active market and the independent valuation reflects the actual transactions in similar instruments.

As at 31 December 2016, the Group has \$415,000 derivative financial liabilities (30 June 2016: derivative financial assets of \$35,000).

6 Operating assets and liabilities

6.1 Provisions

a. Provisions as at the reporting date follows:

	31 December 2016			30 June 2016		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Provision for warranty	981	-	981	643	-	643
Make good provision	-	70	70	-	70	70
Total provisions	981	70	1,051	643	70	713

b. Movements in provisions

	Provision for warranty \$'000	Make good Provision \$'000	Total \$'000
Carrying amount at start of period	643	70	713
Additional provisions recognised	439	-	439
Unused amount reversed during the period	-	-	-
Amounts used during the period	(101)	-	(101)
Carrying amount at end of period	981	70	1,051

The Group has recognised provision for warranty consistent with the policy applied in prior periods. The Group has made assumptions in relation to the values estimated to be required to settle the warranty obligation on all products under warranty at balance date.

7 Financial risk management

The Group is exposed to a variety of risks, including market risk (comprising foreign currency risk and interest rate risk), credit risk and liquidity risk.

The financial risk management policies of the Group are consistent with prior periods. Management have identified that foreign currency risk and credit risk on receivables are material to the Group.

7.1 Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates (USD, GBP, EUR, CAD) relates primarily to the Group's operating activities (when revenue or expenses are denominated in different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries. The Group enters into foreign currency forward contracts to mitigate its foreign currency risk on its net cash flows.

The Group's primary exposure to foreign currency risk to which the profit is more sensitive is the USD/AUD movements and comprises:

	31 December 2016	30 June 2016
	USD \$'000	USD \$'000
Cash and cash equivalents	7,111	11,109
Trade and other receivables	3,897	4,208
Trade and other payables	(673)	(1,416)
Foreign currency forward contracts and options to sell USD	13,474	-

The following table demonstrates the sensitivity to a reasonable possible change in the USD rate against the AUD assuming all other variables are held constant:

	Impact on post-tax profit		Impact on other components of equity	
Change in USD Rate	31 December 2016	30 June 2016	31 December 2016	30 June 2016
	\$'000	\$'000	\$'000	\$'000
Increase 5% (30 June 2016: 3%)	1,874	623	(1,065)	(310)
Decrease 5% (30 June 2016: 10%)	(1,820)	(1,830)	964	913

The sensitivity analysis above takes into account foreign currency denominated receivables and payables which are not considered to form part of the parent entity's net investment in foreign operations. Intercompany balances are eliminated in the consolidated balance sheet, however, the effect on profit or loss of their revaluation is not fully eliminated.

7.2 Credit risk

Credit risk is the risk of financial loss to Nanosonics if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions and credit exposures to customers.

The Group performs credit assessments of its customers prior to entering into any sales agreements. The Group utilises an external credit rating agency to assess the credit worthiness of its customers. In North America, outstanding customer receivables are regularly monitored and are generally covered by credit insurance. As a result, the Group believes that its accounts receivable credit risk exposure is mitigated and has not experienced significant write-downs in its accounts receivable balances.

As of 31 December 2016, the Group had 1 customer (30 June 2016: 2 customers) that owed the Group more than \$500,000 each and accounted for approximately 42% (30 June 2016: 44%) of all the receivables outstanding.

Collateral is not held as security, nor does the Group transfer (on-sell) receivables to special purpose entities.

The maximum exposure to credit risk as at the reporting date is the carrying amount of these financial assets. The carrying amount is determined according to the Group's accounting policies.

8 Capital structure

8.1 Contributed equity

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.

Ordinary shares carry one vote per share and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands, every ordinary shareholder 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, are fully paid and the Company does not have a limited amount of authorised capital.

Movements in ordinary share capital

	Number of shares	\$'000
Opening balance 1 July 2016	295,934,536	112,698
Exercise of options and performance rights - proceeds received	1,798,419	15
Balance 31 December 2016	297,732,955	112,713

9 Other Notes

9.1 Commitments

Non-cancellable operating leases

The Group leases offices and warehouses under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	31 December 2016 \$'000	30 June 2016 \$'000
Within one year	800	802
One year or later and no later than five years	3,023	3,293
Five years or later	-	161
	3,823	4,256

Capital commitments

As at 31 December 2016, the Group had commitments to purchase plant and equipment of \$692,000 (30 June 2016: \$129,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

9.2 Related party transactions

Note 9.3 provides the information about the Group's structure including the details of the subsidiaries and the parent entity.

a. Transactions with related parties

Certain directors and Key Management Personnel, or their personally-related entities (Related Parties), hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Director fees for Maurie Stang and Richard England were paid through their personally-related management entities.

Maurie Stang is related to Regional Healthcare Group Pty Ltd and the following transactions occurred with this entity:

	31 December 2016 \$'000	31 December 2015 \$'000
Sale of products and services to Related Parties	722	838
Purchases of goods and services from Related Parties	4	2
Rent of premises and equipment from Related Parties and make good payments	-	210

b. Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with Related Parties:

	31 December 2016	30 June 2016
	\$'000	\$'000
Current trade receivables (supply of goods and services)	271	639
Current trade payables (purchases of goods and services)	14	-

There were no provisions for impaired receivables in relation to any outstanding balances from Related Parties (30 June 2016: Nil) and no expense has been recognized during the period in respect of impaired receivables due from related parties.

c. Loans to directors and Key Management Personnel

During the half year and to the date of this report, the Group made no loans to directors and Key Management Personnel and none were outstanding at the year ended 31 December 2016 (30 June 2016 : Nil).

d. Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

9.3 Controlled entities

The consolidated financial statements of the Group include:

Name of controlled entity	Principal activities	Country of incorporation	Class of shares	Equity holding %	
				31 December 2016	30 June 2016
Nanosonics Europe GmbH	Provision of sales and customer support services to Nanosonics Limited in Germany	Germany	Ordinary	100%	100%
Saban Ventures Pty Limited	Owner of the registered intellectual property of the Group	Australia	Ordinary	100%	100%
Nanosonics, Inc.	Sales and distribution of Nanosonics' products and provision of sales and customer support services to Nanosonics Limited in USA	USA	Ordinary	100%	100%
Nanosonics Europe Limited	Sales and distribution of Nanosonics' products in Europe	UK	Ordinary	100%	100%
Nanosonics UK Limited	Provision of sales and customer support services in Europe	UK	Ordinary	100%	100%
Nanosonics Canada, Inc.	Sales and distribution of Nanosonics' products and services in Canada	Canada	Ordinary	100%	100%

9.4 Parent entity

As at and throughout the half year ended 31 December 2016, the parent entity of the Group is Nanosonics Limited.

9.5 Events occurring after the balance date

Other than as disclosed in note 4.2 of the half-year financial report, there are no other matters or circumstances that have arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- a) the Group's operations in the current or future financial years;
- b) the results of those operations in the current or future financial years; or
- c) the Group's state of affairs in the current or future financial years.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Nanosonics Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nanosonics Limited ("the company"), which comprises the interim consolidated statement of financial position as at 31 December 2016, the interim consolidated statement of profit or loss and other comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the half-year ended on that date, the notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nanosonics Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

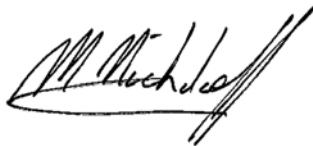
Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

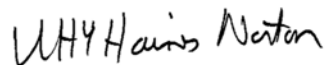


Mark Nicholaeff

Partner

Sydney

Date: 20 February 2017



UHY Haines Norton

Chartered Accountants

Corporate directory and information for investors

Nanosonics Limited ABN 11 095 076 896 incorporated 14 November 2000

Directors

Maurie Stang
Richard England
David Fisher
Steven Sargent
Marie McDonald
Michael Kavanagh

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Robert Waring

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McGregor Grant – Company Secretary
Ph: +61 2 8063 1600
Email: info@nanosonics.com.au

Auditor

UHY Haines Norton
Level 11, 1 York Street
Sydney NSW 2000 Australia

Legal Advisors

Dibbs Barker
Level 8, Angel Place
123 Pitt Street
Sydney NSW 2000 Australia

Shelston IP
Level 21, 60 Margaret Street
Sydney NSW 2000 Australia

Baker & McKenzie
AMP Centre
Level 27, 50 Bridge Street
Sydney NSW 2000 Australia

Bankers

Australia: Australia and New Zealand Banking Group Limited, HSBC Bank Australia Limited and National Australia Bank Limited

United Kingdom: HSBC Bank Plc

Germany: Deutsche Bank AG

United States: HSBC Bank USA NA and PNC Financial Services Group, Inc

Stock Exchange Listing

Nanosonics Limited shares are listed on the Australian Securities Exchange
ASX code: NAN
Industry Group: Healthcare Equipment & Services

Website address
www.nanosonics.com.au