



18 February 2015

Company Announcements Office
Australian Securities Exchange

Nanosonics (ASX:NAN) reports half year financial results

HIGHLIGHTS

- **Sales revenue up 48% on prior corresponding period to \$14.339 million**
- **Net profit of \$1.238 million compared with net loss of \$3.482 in prior corresponding period**
- **Cash balance of \$23.53 million as at 31 December 2014**
- **Excellent progress made across key elements of strategic growth agenda**
- **Introduction of direct sales operation in North America announced February 6th**

Nanosonics today announced its half year results for the period ending 31 December 2014. Sales for the half year were \$14.339 million, up 48% on the prior corresponding period (\$9.68 million) with gross profit increasing 53% to \$9.171 million. Gross profit margin was 64.0% compared to 61.8% in H1 FY14 due to an increase in the proportion of higher margin consumable sales, the favourable impact of foreign exchange and an increase of higher margin direct sales in Europe.

Other income increased \$794,000 compared with the prior corresponding period mainly due to an increase in reimbursement of costs received from a distributor plus foreign exchange gains recorded. Operating expenditure decreased by \$740,000 on the previous corresponding period mainly due to lower employment related costs.

The Company derived a net profit of \$1.238 million compared with a net loss of \$3.482 million in the prior corresponding period.

Cash balance as at 31 December 2014 was \$23.53 million with additional cash receipts of \$4.84 million received in January relating to sales in the second quarter.

"Significant progress has been made over the last six months as we continue to execute on our strategic growth plans, said Michael Kavanagh, Nanosonics Chief Executive Officer and President. "In addition to very pleasing sales results, this half saw excellent progress across many aspects of our operations including:

- Distribution expanded into five new countries in Europe with our partner Miele Professional;
- Identification of new corporate facilities with a move scheduled by June 2015;
- Expansion of our clinical studies program in both Europe and the USA;
- Progress in our R&D strategy for next generation trophon plus development of a number of pipeline opportunities; and
- Announcement of a direct sales operation being established in North America alongside distribution partner GE Healthcare."

"In North America, trophon[®] EPR is now represented in 44 of the top 50 hospitals, and over 1500 hospitals in total. With an installed base in excess of 4000 units and the market fundamentals for adoption continuing to strengthen, momentum in this region is growing well. The implementation of our direct sales operations alongside distribution partner GE Healthcare is expected to further drive broader and deeper adoption across the total hospital and private physician market.

In Europe the number of institutions adopting trophon EPR continued to grow during the half. The UK saw the introduction of new guidelines stressing the need for automated, validated decontamination systems as the optimum decontamination process, with trophon EPR positioned well to meet the needs of these new guidelines. The dual sales model of direct operations together with a distribution partner in the UK is proving successful with growth from both operations during the half. New clinical data from Germany was announced demonstrating superior outcomes with trophon EPR compared to the current standard practice of manual procedure with disinfectant wipes. European operations were expanded with the addition of five new countries represented by Miele professional. Market development is progressing well in all these countries.

During the half regulatory approval in Japan was also received and the commercialisation strategy for this important market is currently under development.

"There will be a period of transition over the next half as we implement our North American direct sales operations," said Mr Kavanagh. "During this transition period, purchases by GE Healthcare from Nanosonics are unlikely to be significant. However, revenues from direct sales are expected to grow steadily as the full Nanosonics sales team comes into effect establishing significant momentum going into FY16.

"We remain committed to building shareholder value by establishing trophon EPR as the new standard of care globally and through strategic investment in our overall growth strategy. This includes expanding our global footprint and extending our platform technology beyond ultrasound probe decontamination into areas of significant unmet needs of our healthcare customers in microbial control", said Michael Kavanagh, CEO and President.

Michael Kavanagh
CEO / President



Investors are invited to join a conference call hosted by Mr Michael Kavanagh, CEO and President of Nanosonics and Mr McGregor Grant, CFO at 11:00am AEDT on Wednesday 18 February 2015.

To access the call please use the following details:

Conference ID: 996 916

Dial in numbers:

Australia	1800 558 698
Canada	1855 8811 339
China	4001 200 659
Hong Kong	800 966 806
India	0008 0010 08443
Japan	0053 116 1281
New Zealand	0800 453 055
Singapore	800 101 2785
United Kingdom	0800 051 8245
United States	1855 8811 339

An archive of the call will be available on www.openbriefing.com and on the company's website: www.nanosonics.com.au

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 Oliver, 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. In parallel with the commercialisation of this product, Nanosonics is also developing other medical applications and exploring opportunities for its proprietary technology in other industries.

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 2014

Previous period: 31 December 2013

Results for announcement to the market

	31 December 2014	31 December 2013		Movement	
	\$'000	\$'000		%	\$'000
Revenue from ordinary activities excluding other income	14,339	9,680	up	48%	4,659
Revenue from ordinary activities	16,320	10,867	up	50%	5,453
Profit (loss) from ordinary activities after tax attributable to members	1,238	(3,482)	up	*nm	4,720
Net profit for the period attributable to members	1,238	(3,482)	up	*nm	4,720
	Cents	Cents			Cents
Basic earnings (loss) per share	0.47	(1.33)	up	*nm	1.80
Dividend per share	-	-			
Net tangible assets per share	8.21	7.16	up	15%	1.05

*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 - N/A

Dividend payment date - N/A

There were no distributions of dividends during the period.

No dividend reinvestment plans were in operation during or since the half-year.

During the period, Nanosonics Europe Limited and Nanosonics UK Limited were formed as wholly-owned subsidiaries of Nanosonics limited. There were no other 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 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.



Directors' Report

For the six months ended 31 December 2014

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 2014, 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 Operations and Results, 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 2014.

Directors and Committees of the Board

During the half-year and to the date of this Report, the Board and Committees of the Board of Nanosonics Limited comprised the following members:

Board of Directors Nanosonics Limited	Maurie Stang, Non-Executive Chairman Richard England, Non-Executive Director David Fisher, Non-Executive Director Michael Kavanagh, Chief Executive Officer (CEO) and President, Managing Director Ron Weinberger, Executive Director and President, Technology Development /Commercialisation
Audit and Risk Committee	Richard England, Chairman Maurie Stang David Fisher
Nomination Committee	Richard England, Chairman Maurie Stang David Fisher
Remuneration Committee	Richard England, Chairman Maurie Stang David Fisher
R & D and Innovation Committee	David Fisher, Chairman Maurie Stang Michael Kavanagh Ron Weinberger

Review of Operations and Results

	31 December 2014	31 December 2013
	\$'000	\$'000
Revenue from sale of goods and services	14,339	9,680
Cost of sales	(5,168)	(3,695)
Gross profit	9,171	5,985
Other income	1,981	1,187
Other expense	(298)	(278)
Total Operating expenses	(9,607)	(10,347)
Operating loss before income tax for the period	1,247	(3,453)

	31 December 2014	30 June 2014
	\$'000	\$'000
Cash and cash equivalents	23,529	21,233
Net assets	22,085	20,435

Sales revenue for the half year was \$14,339,000 compared to \$9,680,000 for the corresponding prior half year driven mainly by the increase in sales revenue of \$4,079,000 in North America and \$643,000 in Europe. Gross profit margin increased to 64% (2013: 61.8%) due to an increase in the proportion of higher margin consumable sales, the favourable impact of foreign exchange and an increase of higher margin direct sales in Europe.

Other income includes:

- Interest earned on cash investments of \$353,000 (2013: \$405,000);
- Receipt of first tranche payment under the Export Market Development Grant scheme of \$60,000 (2013: \$60,000);
- Reimbursement of costs by a distributor of \$977,000 (2013: \$720,000); and
- Foreign exchange gains of \$590,000.
- Other expense comprised accrued interest on convertible notes of \$298,000.

Operating expenditure decreased by \$740,000 on the previous corresponding period mainly due to lower staffing costs.

Consolidated profit after tax for the half year was \$1.238 million compared with consolidated loss after tax of \$3.482 million for the corresponding prior half year

The Group ended the half year with \$23.5 million of cash and cash equivalents.

Subsequent Events

Note 19 sets out details of events subsequent to 31 December 2014 that may significantly affect the interim consolidated financial statements or require disclosure.

Apart from the items included in note 19, there are no matters or circumstances that have arisen since 31 December 2014 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 of amounts

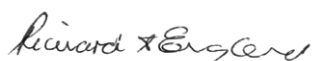
The Company is of a kind referred to in ASIC Class order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest one thousand dollars (\$'000) unless otherwise stated.

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 6.

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

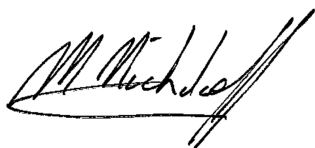
Sydney, 17 February 2015

**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, during the half year ended 31 December 2014 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.

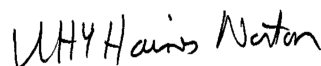


Mark Nicholaeff

Partner

Sydney

Dated: 17 February 2015



UHY Haines Norton

Chartered Accountants

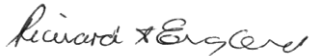
Directors' Declaration

In the opinion of the Directors of Nanosonics Limited:

1. The interim financial statements and notes set out on pages 8 to 24 are 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 2014 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
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, 17 February 2015

Nanosonics Limited

Interim consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2014

		31 December 2014	31 December 2013
	Notes	\$'000	\$'000
Continuing operations			
Sale of goods and services	5	14,339	9,680
Cost of sales		(5,168)	(3,695)
Gross profit		9,171	5,985
Other income	6	1,981	1,187
Operating expenses			
Staffing costs		5,377	5,953
Intellectual property		175	298
Quality & regulatory management		139	158
Business development		509	564
Premises, plant & equipment related costs		1,084	723
External consultants & advisors		562	883
Other operating costs		1,761	1,768
Total operating expenses		9,607	10,347
Other expenses	13	298	278
Operating profit/(loss) before income tax		1,247	(3,453)
Income tax expense	8	9	29
Net profit/(loss) after income tax expense is attributable to owners of the parent entity		1,238	(3,482)
Other comprehensive income			
Items that may be classified subsequently to profit or loss :			
Exchange gain on foreign currency translation		41	20
Income tax on items of other comprehensive income		-	-
Total items that may be classified subsequently to profit or loss :		41	20
Total other comprehensive income		41	20
Total comprehensive profit/(loss) for the period attributable to owners of the parent entity		1,279	(3,462)
Earnings/(loss) per share for profit/(losses) attributable to ordinary shareholders of the Company:		Cents	Cents
Basic earnings/(loss) per share	11	0.47	(1.33)
Diluted earnings/(loss) per share	11	0.46	(1.33)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Nanosonics Limited

Interim consolidated statement of financial position

As at 31 December 2014

		31 December 2014	30 June 2014
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	9	23,529	21,233
Trade and other receivables		6,580	5,712
Inventories		3,935	4,237
Other current assets		433	440
Total current assets		34,477	31,622
Non-current assets			
Property, plant and equipment		2,041	1,778
Intangible assets		-	-
Other non-current assets		150	144
Total non-current assets		2,191	1,922
Total assets		36,668	33,544
Current liabilities			
Trade and other payables		2,816	2,104
Derivative financial instruments	4	349	-
Deferred revenue		295	308
Provisions	10	2,521	2,417
Borrowings		7	6
Interest payable	13	225	-
Total current liabilities		6,213	4,835
Noncurrent liabilities			
Provisions	10	186	159
Borrowings		14	18
Convertible Notes	13	8,170	8,097
Total-noncurrent liabilities		8,370	8,274
Total liabilities		14,583	13,109
Net assets		22,085	20,435
Equity			
Contributed equity	12	74,741	74,410
Option premium on convertible notes	13	376	376
Reserves		3,772	3,691
Accumulated losses		(56,804)	(58,042)
Total equity		22,085	20,435

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Nanosonics Limited

Interim consolidated statement of changes in equity

For the six months ended 31 December 2014

	Contributed Equity	Option premium on convertible notes	Share-based payments reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	Note 12					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2014	74,410	376	3,671	20	(58,042)	20,435
Profit for the period	-	-	-	-	1,238	1,238
Other comprehensive income	-	-	-	41	-	41
Total comprehensive income	-	-	-	41	1,238	1,279
Transaction with owners in their capacity as owners						
Share-based payment	331	-	40	-	-	371
At 31 December 2014	74,741	376	3,711	61	(56,804)	22,085
At 1 July 2013	74,068	376	2,673	27	(55,437)	21,707
Loss for the period	-	-	-	-	(3,482)	(3,482)
Other comprehensive income	-	-	-	20	-	20
Total comprehensive income (loss)	-	-	-	20	(3,482)	(3,462)
Transaction with owners in their capacity as owners						
Share-based payment	329	-	649	-	-	978
At 31 December 2013	74,397	376	3,322	47	(58,919)	19,223

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Nanosonics Limited**Interim consolidated statement of cash flows**

For the six months ended 31 December 2014

	31 December 2014	31 December 2013
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	15,790	12,371
Payments to suppliers and employees (inclusive of GST)	(14,066)	(15,077)
Interest received	301	361
Receipts from government grants	60	60
Income taxes refund/(paid)	15	(4)
Net cash used in operating activities	2,100	(2,289)
Cash flows from investing activities		
Purchase of property, plant and equipment	(412)	(339)
Net cash used in investing activities	(412)	(339)
Cash flows from financing activities		
Net proceeds from issue of shares and exercise of options	331	329
Net repayments of borrowings	(3)	(3)
Net cash provided by financing activities	328	326
Net increase/(decrease) in cash and cash equivalents	2,016	(2,302)
Cash and cash equivalents at the beginning of the financial half-year period	21,233	24,064
Effects of exchange rate changes on cash and cash equivalents	280	(110)
Cash and cash equivalents at the end of the financial half-year period	23,529	21,652

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Nanosonics Limited

Notes to the interim consolidated financial statements

For the six months ended 31 December 2014

1. Reporting information

Nanosonics Limited is a 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 2014 comprises the consolidated entity consisting of Nanosonics Limited and its subsidiaries (the Group). The interim financial report is presented in the Australian currency.

The interim financial report was authorised for issue by the Directors on 17 February 2015.

The audited Annual Financial Report for the Company as at and for the year ended 30 June 2014 is available upon request from the Company's registered office and principal place of business at:

Unit 24, 566 Gardeners Road
Alexandria, NSW 2015, 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.

2. Basis of preparation of half-year report and statement of compliance

The interim consolidated financial report for the reporting period ended 31 December 2014 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 2014, 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 Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

3. 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 2014, with the exception of the amended standards noted below.

- AASB 2014-1 Part A- Amendments to Australian Accounting Standards - Annual Improvements 2010-2012 and 2011-2013 Cycles. This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs).

Annual Improvements to IFRSs 2010-2012 Cycle. Annual Improvements to IFRSs 2010–2012 Cycle is a collection of amendments to IFRSs in response to eight issues addressed during the 2010–2012 cycle for annual improvements to IFRSs.

Among the items addressed by this standard, the following are relevant to the Group:

- IFRS 2 – Clarifies the definition of ‘vesting conditions’ and ‘market condition’ and introduces the definition of ‘performance condition’ and ‘service condition’. The group is yet to assess the effect if any of this amendment on its accounting of share-based payments.
- IFRS 8 – Requires entities to disclose factors used to identify the entity’s reportable segments when operating segments have been aggregated. An entity is also required to provide reconciliation of total reportable segments’ assets to the entity’s total assets.
- IAS 16 & IAS 38 – Clarifies the determination of accumulated depreciation does not depend on the selection of valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

Annual Improvements to IFRSs 2011-2013 Cycle. Annual Improvements to IFRSs 2011–2013 Cycle is a collection of amendments to IFRSs in response to four issues addressed during the 2011–2013 cycle. Among other improvements, the amendments clarify that an entity should assess whether an acquired property is an investment property under IAS 40 Investment Property and perform a separate assessment under IFRS 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination

- AASB 2014-1 Part B- Amendments to Australian Accounting Standards – Defined Benefit Plans: Employee Contributions.
- AASB 2014-1 Part C- Materiality - This makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031 Materiality as part of its process to formally withdraw this standard. This is applicable to annual reporting periods beginning on or after 1 July 2014, with limited early application permitted.
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities. AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosure for Non-Financial Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less cost of disposal. When these amendments are adopted for the first time, they are unlikely to have any significant impact to the Group given that they are largely of the nature of clarification of existing requirements.

Unless otherwise stated above, the adoption of the above standards is not expected to have a significant effect on the way the Group accounts for and presents its financial results.

4. Financial risk management

The Group is exposed to financial risks, predominantly foreign currency risk, credit risk and interest risk and it has a financial risk management program which seeks to minimise potential adverse effects on financial performance. The Board provides written principles for investment of the Group's cash reserves, so as to ensure operational liquidity whilst optimising interest earnings from a mix of instruments with one or more of Australia's four main banks.

The Group held the following financial instruments:

	31 December 2014	30 June 2014
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	23,529	21,233
Trade and other receivables	6,580	5,712
Total Financial assets	30,109	26,945
Financial liabilities		
Trade and other payables	2,816	2,104
Derivative financial instruments	349	-
Convertible notes	8,170	8,097
Interest payable	225	-
Borrowings	21	24
Total Financial liabilities	11,581	10,225

The carrying amount of the financial assets and liabilities above is reasonable approximation of the fair value.

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

Credit risk

Credit risk arises from holdings in cash and cash equivalents, trade receivables and derivative financial instruments. The Group invests only in deposits and floating rate notes offered by Australia's four main banks. The Company has limited number of customers. The Company, by policy, performs customer credit assessment prior to entering into a distribution agreement and routinely assesses the financial strength of its customers and reviews distribution agreements. As a result, the Company 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 2014, GE Healthcare, Regional Healthcare, and Toshiba Medical Systems combined, accounts for 91% of the trade receivables (as of 30 June 2014: GE Healthcare, Regional Healthcare and Toshiba Medical Systems, combined, accounts for 95% of the trade receivables.)

The credit risk arising from derivative financial instruments is not significant.

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

Foreign currency risk exposures

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 relates primarily to the Group's operating activities (when revenue or expense is 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 trade receivables.

The Group's exposure to foreign currency at the reporting period comprised:

	31 December 2014			30 June 2014		
	Euro € '000	USD \$'000	GBP £'000	Euro € '000	USD \$'000	GBP £'000
Cash and cash equivalents	64	1,938	400	104	4,580	152
Trade and other receivables	57	4,009	471	178	4,125	223
Trade and other payables	(62)	(791)	(66)	(88)	(525)	(83)
	59	5,156	805	194	8,180	292

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar and Euro against the Australian Dollar, with all other variables held constant:

	Change in USD rate	Effect on profit before tax and other comprehensive income	Change in EUR rate	Effect on profit before tax and other comprehensive income	Change in GBP rate	Effect on profit before tax and other comprehensive income
		\$'000		€ '000		£ '000
31 December 2014	2%	103	3%	2	2%	19
	-13%	(670)	-3%	(2)	-4%	(32)
30 June 2014	3%	245	3%	6	3%	9
	-8%	(654)	-10%	(19)	-6%	(18)

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	31 December 2014		30 June 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	23,529	23,529	21,233	21,233
Trade and other receivables	6,580	6,580	5,712	5,712
	30,109	30,109	26,945	26,945
Financial liabilities				
Fair value through profit and loss				
Derivative financial instruments	349	349	-	-
Not measured at fair value				
Other financial liabilities				
Trade and other payables	2,816	2,816	2,104	2,104
Convertible notes	8,170	8,170	8,097	8,097
Interest payable	225	225	-	-
Borrowings	21	21	24	24
	11,581	11,581	10,225	10,225

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair values:

- Cash and cash equivalents, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments.
- The Group enters into derivative financial instruments with various counterparties principally with Australia's major banks. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contract. The valuation technique is described below.

Fair value hierarchy

The Group uses the following hierarchy above 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.

The valuation techniques used in measuring Level 2 fair values:

Type	Valuation technique
Derivative financial instruments – foreign exchange forward contracts	Market comparison technique: The fair values are based on bank quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

As at 31 December 2014, the Group held in its current liabilities foreign currency forward contracts carried at fair value of \$349,000 (30 June 2014: Nil).

		Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Foreign exchange forward contracts	31 December 2014	349	-	349
Foreign exchange forward contracts	30 June 2014	-	-	-

5. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director, CEO and President (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.

Types of products and services

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

Major customers

The group has a number of customers to which it provides products and services. The most significant customer accounts for 84% of external revenue (2013: 83%). The next most significant customer accounts for 6% of external revenue (2013: 8%).

Geographical information

Geographically, the Group operates in the global markets. Australia is the home country of the parent entity.

Revenue from external customers by geographical location is detailed below.

	31 December 2014	31 December 2013
	\$'000	\$'000
North America	12,073	7,994
Australia and New Zealand	1,031	1,094
Europe and other countries	1,235	592
Total revenue	14,339	9,680

The analysis of the location of non-current assets is as follows:

	31 December 2014	30 June 2014
	\$'000	\$'000
North America	54	12
Australia and New Zealand	2,118	1,962
Europe and other countries	19	14
Total non-current assets	2,191	1,988

Non-current assets for this purpose consist of property, plant and equipment, intangible assets and other non-current assets.

Segment information is prepared in conformity with the accounting policies of the Group as set out in note 3 and Accounting Standard AASB 8 Operating Segments.

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

6. Other income

	31 December 2014	31 December 2013
	\$'000	\$'000
Interest income	353	405
Government Grants	60	60
Other income	978	722
Foreign exchange gain (Note 7)	590	-
Total	1,981	1,187

Government grants comprise receipt of first tranche of payment under the Export Market Development Grant scheme. There were no unfulfilled conditions or other contingencies attaching to these grants.

Other income includes reimbursement of costs by a distributor of \$977,000 (prior half year: \$720,000). The related costs are included in the operating expenses.

7. Profit/(loss) for the half-year before income tax

The profit/(loss) for the half-year from ordinary activities before income tax includes:

	31 December 2014	31 December 2013
	\$'000	\$'000
Depreciation and amortisation	455	468
Research and development costs	1,802	2,198
Rental expenses relating to operating leases	393	282
Bad debts provision	(1)	-
Inventory provision/write off	223	365
Realised loss/(gain) on foreign exchange forward contracts	62	(39)
Unrealised loss/(gain) on foreign exchange forward contracts	349	53
Foreign exchange (gain)/ loss	(590)	169
Loss on disposal of fixed assets	28	-

8. Taxation

(a) Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e. the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The income tax expense for the half year ended 31 December 2014 amounted to \$9,000 (2013: \$29,000).

(b) Deferred tax assets

Deferred tax assets not taken to account

The potential deferred tax assets in a controlled entity, which is a company, arising from tax losses, non-refundable tax offsets and timing differences are only recognised when it is probable that future taxable amounts will be available to utilise those tax losses and temporary differences. Estimated unrecognised deferred tax assets as at 31 December 2014 is \$17.4 million (30 June 2014: \$17.6 million). Estimated tax losses carried forward as at 31 December 2014 are \$54.1 million (30 June 2014: \$54.1 million).

9. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2014	31 December 2013
	\$'000	\$'000
Cash at bank and on hand	3,483	2,461
Deposit on call	2,518	160
Term deposits	17,528	19,031
Total	23,529	21,652

10. Provisions

	31 December 2014	30 June 2014
	\$'000	\$'000
Provision for warranty	1,281	896
Employees provisions		
Provision for bonus	431	723
Provision for annual leave	669	690
Provision for long service leave	326	267
Total employee provisions	1,426	1,680
Total provisions	2,707	2,576

Current provisions

Provision for warranty	1,281	896
Employees provisions :		
Provision for bonus	431	723
Provision for annual leave	669	690
Provision for long service leave	140	108
Total employee provisions	1,240	1,521
Total current provisions	2,521	2,417

Non-current provisions

Provision for long service leave	186	159
Total non-current provisions	186	159

Roll forward of provision for warranty :

	31 December 2014	30 June 2014
	\$'000	\$'000
Beginning balance	896	449
Provided during the period	561	701
Utilised during the period	(176)	(254)
Ending balance	1,281	896

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.

Provision for warranty of \$1,281,000 has been disclosed under Provisions in the Statement of financial position as it better reflects the nature of the liability. In prior period, this was included under Trade and Other Payables. Accordingly, the comparative Provision for warranty of \$896,000 has been reclassified.

11. Earnings/(loss) per share

	31 December 2014 Cents	31 December 2013 Cents
(a) Basic earnings/(loss) per share		
Profit/(loss) attributable to ordinary shareholders of the Company	0.47	(1.33)
(b) Diluted earnings/(loss) per share		
Profit(loss) attributable to ordinary shareholders of the Company	0.46	(1.33)
(c) Losses used in calculating loss per share		
Net Profit/(loss) after income tax expense attributable to shareholders	1,238	(3,482)
(d) Weighted average number of shares used		
For basic earnings per share	264,047,919	262,286,552
For diluted earnings per share	270,410,010	262,286,552
(e) Information concerning options granted		

Options granted under the Nanosonics Employee Share Option Plan and the Nanosonics General Share Option Plan are considered to be potential ordinary shares and have been included for the calculation of diluted earnings/(loss) per share. In 2013 these options were excluded from the calculation of diluted earnings/(loss) per share as the effect would have been anti-dilutive.

12. Contributed equity

	31 December 2014 \$'000	30 June 2014 \$'000
(a) Ordinary shares:		
Issued and fully paid	74,741	74,410
	Number of shares	\$'000
(b) Movements in ordinary shares on issue		
At 1 July 2014	263,823,826	74,410
Share options exercised	539,000	331
At 31 December 2014	264,362,826	74,741

13. Convertible notes and related interest

	31 December 2014 \$'000	30 June 2014 \$'000
Current liabilities		
Interest payable	225	-
Non-current liabilities		
Convertible notes at amortised value	8,170	8,097
Equity		
Option premium on convertible notes	376	376

On 28 June 2012, the Company issued unsecured Tranche A Convertible note of \$4,000,000 and Tranche B Convertible note of \$3,500,000 which matures 4 years after the issue date. The convertible notes bear 6% interest per annum on a simple interest basis calculated on each anniversary of issue date. No interest repayment will be made to the noteholder in the first two years but the interest will accrue and form part of the face value of the note but will not bear any further interest. After that period, the noteholder may elect whether to receive interest in cash or to have such interest accrue and form part of the Face Value (but this will not bear further interest). The convertible notes may be converted at any time up until the Maturity Date at \$0.75 per share, subject to certain adjustments. The effective interest on convertible notes is 7.364%.

As at 31 December 2014, borrowing costs related to the convertible notes for half year ended 31 December 2014 amounted to \$298,000 (2013: \$278,000).

14. Dividends

No dividends were proposed, declared or paid during the interim financial period and to the date of this report (2013: Nil).

15. Share-based payments

During the period, the company issued 134,375 performance rights to the employees under the Employee Share Option Plan (ESOP) at Nil exercise price. The assessed fair value on the date these options were granted were independently determined using applicable valuation models. Details of the issue of performance rights including the assumptions used are noted below.

Issue Date	04-Jul-14
Number of performance rights	134,375
Valuation model	Binominal Approximation
Exercise price	0.00c
Expiry date	30-Jul-15
Price of underlying shares at measurement date	80.00c
Fair value	80.00c
Expected volatility %	45.00%
Risk free interest rate %	2.58%
Expected dividend yield %	0%
Vesting date	1-Jul-15
Vesting Conditions:	
Service condition	Continuous employment to vesting date

If the vesting conditions are satisfied, the performance rights will automatically vest, at no cost and no amount payable, and shares will be acquired either on-market or via a new shares under the Nanosonics Deferred Employee Share Plan (DESP).

Any performance rights which fail to meet the vesting conditions above will lapse immediately and there will be no retesting.

For the six months ended 31 December 2014, net share-based payments expense amounted to \$40,000 which included a share-based payments credit of \$316,000 relating to the 2012 Long Term Incentive Scheme that is not likely to vest as the performance condition is not likely to be achieved (2013 share-based payments : \$649,000).

16. Information relating to subsidiaries

The consolidated financial statements of the Group include:

Name of controlled entity	Principal activities	Country of incorporation	Class of shares	Equity holding %	
				31 December 2014	30 June 2014
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.	Provision of sales and customer support services to Nanosonics Limited in USA ¹	USA	Ordinary	100%	100%
Nanosonics Europe Limited ²	Sales and distribution of Nanosonics' products in Europe	UK	Ordinary	100%	-
Nanosonics UK Limited ²	Provision of sales and customer support services in Europe	UK	Ordinary	100%	-

1. Refer to note 19, Events occurring after the Balance Date for additional information.

2. Nanosonics Europe Limited and Nanosonics UK Limited were incorporated in United Kingdom on 15 December 2014.

Parent entity

The parent entity within the Group is Nanosonics Limited which is based and listed in Australia.

17. Related party disclosure

Note 16 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, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Details of the type of transactions that were entered into with directors and KMP are as follows:

Directors and Key Management Personnel	Related entities	Transactions
Maurie Stang	Gryphon Capital Pty Ltd	Director fees
Maurie Stang	Ramlist Pty Ltd	Rent of premises
Maurie Stang	Regional Healthcare Group Pty Ltd	Products purchased, services received and products sold
Richard England	Angleterre Pty Ltd and Domkirke Pty Ltd	Director fees

The following transactions occurred with related parties:

	31 December 2014	31 December 2013
	\$'000	\$'000
Key Management Personnel – Other directors' interests		
Sales of goods and services		
Sale of products to related parties	796	807
Purchases of goods		
Purchases of goods and services from related parties	140	172
Other transactions		
Rent of premises and equipment from related parties	88	88

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

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31 December 2014	30 June 2014
	\$'000	\$'000
Current receivables (supply of goods and services)	326	450
Current payables (purchases of goods and services)	18	18

There were no provisions for doubtful debts relating to the outstanding balances from related parties (2013: Nil) and there were no expenses recognized during the period in respect of doubtful debts from related parties.

18. Commitments and contingencies

	31 December 2014	30 June 2014
	\$'000	\$'000
Future operating lease commitments payable:		
Within one year	802	473
One year or later and no later than five years	3,122	105
Five years or later	484	-
	4,408	578

At 31 December 2014 the Company's commitments principally relates to the lease of the new global corporate and manufacturing facilities and the existing offices.

Capital commitments relating to the fit-out of the new facilities were subsequently entered into post balance date. As at the date of this report, capital commitments relating to fit-out amounted to \$562,000.

19. Events occurring after the Balance Date

On 6 February 2015 the Company announced plans to expand its presence in North America with the introduction of a direct sales operation. It is expected that the new direct sales operation, which will be operated by Nanosonics Inc., will be fully functional by the end of the current financial year and through this period purchases by the Company's North American distributor are unlikely to be significant. However, revenues from direct sales are expected to grow steadily as the full Nanosonics sales team come into effect establishing significant momentum going into the 2016 financial year.

Apart from the above there are no other matters or circumstances that have arisen since 31 December 2014 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 2014, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement or description 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 control as the directors determine is 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 consolidated 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 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nanosonics Limited, 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.

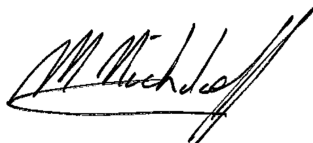
Independence

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

Conclusion

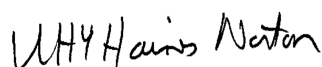
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nanosonics Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



Mark Nicholaeff

Partner



UHY Haines Norton

Chartered Accountants

Sydney

Date: 17 February 2015

Corporate Directory and information for investors

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Stock Exchange Listing

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

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