



AtCor Medical Holdings Limited

ASX Half-year information – 31 December 2017

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 30 June 2017 Annual Report.

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AtCor Medical Holdings Limited

Interim report for the half-year ended 31 December 2017

(Previous corresponding period:

Half-year ended 31 December 2016)

Results for Announcement to the Market

				\$
Revenue from ordinary activities	Up	7%	to	\$1,964,342
Net loss from ordinary activities after tax attributable to members	Down	42%	to	\$1,081,420
Net loss for the period attributable to members	Down	42%	to	\$1,081,420

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Commentary on Results:

See Review of Operations in Directors' Report.

Explanation of Dividends

No dividends have been declared.

AtCor Medical Holdings Limited

Interim report for the half-year ended 31 December 2017

(Previous corresponding period:

Half-year ended 31 December 2016)

Supplementary Appendix 4D Information**NTA Backing**

	Dec 2017	Dec 2016
Net tangible asset backing per ordinary share	0.5cents	1.2 cents

Controlled entities acquired or disposed of

Nil.

Additional dividend/distributions information

No dividends have been declared or paid during or subsequent to the half-year ended 31 December 2017.

Dividend/distribution reinvestment plans

The company has adopted but not implemented a dividend reinvestment plan.

Associates and Joint Venture entities

Not applicable.

Foreign Accounting standards

Not applicable.

Audit Alert

Not applicable.

AtCor Medical Holdings Limited ABN 81 113 252 234
Interim report
for the half-year ended 31 December 2017

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by AtCor Medical Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

AtCor Medical Holdings Limited and controlled entities Directors' report

Your directors present their report on the consolidated entity consisting of AtCor Medical Holdings Limited ('AtCor') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The following persons were directors of AtCor Medical Holdings Limited during the half-year and up to the date of this report:

Donal O'Dwyer (Chairman)
David L Brookes
R King Nelson
Michael F O'Rourke (retired 30 November 2017)
Duncan R Ross (retired 20 December 2017)
Craig R Cooper (CEO & Managing Director – appointed 1 December 2017)
Niall C E Cairns (Appointed 20 December 2017)

Review of operations

Our current business consists principally of the sale and/or lease of the Xcel SphygmoCor® technology (the Xcel™) and related products and services to pharmaceutical companies, research institutions, and specialist medical practitioners.

- Sales for the first half were \$1.96 million - 7% greater than the same period last year and 9% higher when stated in constant currency.
- Regionally, sales in the Americas were 24% higher than the prior corresponding period ("PCP").
- Clinical sales were up 43%, vs. PCP - with 42 devices sold or leased to US clinicians - up from 19 in 1H2017.
- Sales to pharmaceutical companies were 300% greater than the PCP. Additionally, over US\$1.0 million in deferred pharmaceutical revenue was contracted in the period to be recognised over the next 18 months.
- In the EMEA region, which is primarily a research market for AtCor, sales were effectively flat versus PCP. Asia Pacific sales fell due largely to pressure on average selling prices.
- Gross margin improved to 77% from 74% PCP - assisted by the improved pharmaceutical business. It is anticipated that margins will stabilise or improve in future periods as volume increases.
- Expenses, excluding restructuring costs, have been reduced significantly compared to 1H2017, from \$4.24 million to \$2.83 million.
- 1H2018 net loss was \$1.08 million (1H2017: \$1.87 million).

As at 31 December 2017, the Company held \$0.72 million in cash, and had no debt. Net operating cash outflows for the period were \$0.97 million - significantly lower than \$2.0 million net cash outflow in 1H2017. The reduced burn resulted from cost saving measures implemented by management - including reduced headcount and salary reductions for executives and Board members.

Management and the board continue to monitor the liquidity of the group. Further details on the preparation of the financial report on a going concern basis are set out in Note 1(a) of the financial report.

The Independent Auditors' Report is an unqualified review opinion with an emphasis of matter paragraph in respect of material uncertainty associated with going concern.

Forward outlook

Our half yearly financial results reflected the efforts of our global sales teams in driving our key revenue base with our existing pharmaceutical, research, and specialist practitioner clients.

Additional highlights of the period were the execution of a significant new contract with a major pharmaceutical company as well as the successful testing of a pilot sales program to a wider health practitioner market. We also secured a key partnership with PhysioAge® for the sale of the Xcel to concierge practices - a market that we believe has significant revenue upside for the Company.

Although we believe our traditional business will continue to provide consistent returns - going forward we are

looking to aggressively expand our revenue base into products, services, and markets that represent significant new health market opportunities for AtCor.

To this end, over the next few months we will be releasing more details of our new market positioning in both our existing market, as well as details on new opportunities that will underwrite the growth and profitability of the Company going forward.

We are looking forward to presenting these opportunities to shareholders in the near future.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is set out on page 4.

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

A handwritten signature in black ink, appearing to read 'Donal O'Dwyer', with a stylized flourish at the end.

Donal O'Dwyer
Chairman

Sydney
28 February 2018



Auditor's Independence Declaration

As lead auditor for the review of AtCor Medical Holdings Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AtCor Medical Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S Prakash'.

S Prakash
Partner
PricewaterhouseCoopers

Sydney
28 February 2018

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AtCor Medical Holdings Limited and controlled entities
Consolidated statement of comprehensive income
For the half-year ended 31 December 2017

	Notes	Half year	
		31 December 2017 \$	31 December 2016 \$
Revenue from sale of goods and services	4	1,964,189	1,838,977
Cost of sales of goods		(455,647)	(468,384)
Gross profit		1,508,542	1,370,594
Other revenue	4	153	278
Other income	4	418,369	1,056,218
Marketing and sales expense		(1,504,099)	(2,285,206)
Product development and regulatory expense		(568,627)	(795,013)
Occupancy expense		(112,888)	(100,623)
Administration and other expense		(677,970)	(1,114,342)
Restructuring costs		(122,130)	-
Foreign exchange loss		(22,770)	-
Loss before income tax		(1,081,420)	(1,868,095)
Income tax expense		-	-
Net loss for the period		(1,081,420)	(1,868,095)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		98,992	(573,626)
Other comprehensive income/(loss) for the period, net of tax		98,992	(573,626)
Total comprehensive (loss) for the period		(982,428)	(2,441,721)
Total comprehensive loss attributable to owners of AtCor Medical Holdings Limited		(982,428)	(2,441,721)
Earnings per share			
Basic earnings per share	8	(0.41)	(0.89)
Diluted earnings per share	8	(0.41)	(0.89)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

AtCor Medical Holdings Limited and controlled entities
Consolidated statement of financial position
As at 31 December 2017

	Notes	31 December 2017 \$	30 June 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		724,671	677,917
Trade and other receivables		1,321,323	1,582,453
Inventories		454,811	463,633
Other		115,535	86,668
Total current assets		<u>2,616,340</u>	<u>2,810,671</u>
Non-current assets			
Property, plant and equipment		<u>153,998</u>	<u>149,422</u>
Total non-current assets		<u>153,998</u>	<u>149,422</u>
Total assets		<u>2,770,338</u>	<u>2,960,093</u>
LIABILITIES			
Current liabilities			
Trade and other payables		1,112,560	1,404,991
Provisions		<u>143,509</u>	<u>121,910</u>
Total current liabilities		<u>1,256,069</u>	<u>1,526,901</u>
Non-current liabilities			
Provisions		<u>70,530</u>	<u>104,706</u>
Total non-current liabilities		<u>70,530</u>	<u>104,706</u>
Total liabilities		<u>1,326,599</u>	<u>1,631,607</u>
Net assets		<u>1,443,739</u>	<u>1,328,486</u>
EQUITY			
Contributed equity	5	42,202,239	41,126,573
Reserves		2,448,455	2,327,448
Accumulated losses		<u>(43,206,955)</u>	<u>(42,125,535)</u>
Total equity		<u>1,443,739</u>	<u>1,328,486</u>

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

AtCor Medical Pty Limited and controlled entities
Consolidated statement of changes in equity
As at 31 December 2017

	Contributed Equity \$	Reserves \$	Accumulated losses \$	Total Equity \$
Balance at 1 July 2016	39,126,899	1,775,840	(37,761,964)	3,140,775
Loss for the half year	-	-	(1,868,095)	(1,868,095)
Other comprehensive income	-	(573,626)	-	(573,626)
Total comprehensive loss for the half-year	-	(573,626)	(1,868,095)	(2,441,721)
Transactions with equity holders in their capacity as equity holders:				
Shares issued	2,124,550	-	-	2,124,550
Share issue expenses	(124,876)	-	-	(124,876)
Employee share options expensed	-	121,560	-	121,560
	1,999,674	121,560	-	2,121,234
Balance at 31 December 2016	41,126,573	1,323,774	(39,630,059)	2,820,288
Balance at 1 July 2017	41,126,573	2,327,448	(42,125,535)	1,328,486
Loss for the half year	-	-	(1,081,420)	(1,081,420)
Other comprehensive loss	-	98,992	-	98,992
Total comprehensive loss for the half-year	-	98,992	(1,081,420)	(982,428)
Transactions with equity holders in their capacity as equity holders:				
Shares issued	1,174,999	-	-	1,174,999
Share issue expenses	(99,333)	-	-	(99,333)
Employee share options expensed	-	22,015	-	22,015
	1,075,666	22,015	-	1,097,681
Balance at 31 December 2017	42,202,239	2,448,455	(43,206,955)	1,443,739

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

AtCor Medical Holdings Limited and controlled entities
Consolidated statement of cash flows
For the half-year ended 31 December 2017

	Half year	
	31	31
	December	December
	2017	2016
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,166,478	2,685,282
Payments to suppliers and employees (inclusive of goods and services tax)	(3,559,254)	(4,715,458)
	(1,392,776)	(2,030,176)
Interest received	153	278
Tax refund	418,369	-
Net cash outflow from operating activities	(974,254)	(2,029,898)
Cash flows from investing activities		
Payments for property, plant and equipment	(56,375)	(5,637)
Net cash outflow from investing activities	(56,375)	(5,637)
Cash flows from financing activities		
Issue of shares	1,174,999	2,124,550
Cost of share issue	(99,333)	(124,875)
Net cash inflow from financing activities	1,075,666	1,999,675
Net (decrease)/increase in cash and cash equivalents	45,037	(35,860)
Cash and cash equivalents at the beginning of the half-year	677,916	1,773,950
Effects of exchange rate changes on cash and cash equivalents	1,718	9,157
Cash and cash equivalents at the end of the half-year	724,671	1,747,247

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

AtCor Medical Holdings Limited and controlled entities

Notes to the consolidated financial statements

For the half-year ended 31 December 2017

(Continued)

Note 1 Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by AtCor Medical Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

a) Basis of going concern

During the half year ended 31 December 2017, the Group incurred an operating loss after tax of \$1,081,420 (1H FY2016: \$1,868,095) and net operating cash outflows of \$974,254 (1H FY2016: \$2,029,898). As at 31 December 2017 the Group has cash and cash equivalents of \$724,671 (31 Dec 2016: \$1,747,247).

The Group is established in its key sales markets and has strong historical clinical evidence to support adoption of the Xcel SphygmoCor system by clinicians. Significantly, the Group signed three supply agreements with major global pharmaceutical companies during the 6-month period covered by this report. Most revenue from these agreements has not yet been recognised, nor has cash been received. These contracts along with leases to clinicians, total more than \$1 million in contracted revenue and cash to be received over the next 18 months.

The Group is working to develop new income streams as a matter of priority. Furthermore, the Group has undertaken a strategic restructuring process and review of the Company's operating model to focus on a wider range of sales rather than rely upon its traditional pharmaceutical revenue base - which can fluctuate greatly year-to-year.

Lastly, to preserve cash on hand the Board and management have implemented a number of cost savings measures to reduce the expense base, including reducing headcount, and restructuring the Group's operating model in order to achieve sustainable profitability. Expenses have been reduced by 35% compared to the same period last year.

The Group's ability to continue as a going concern and meet its commitments as they fall due is dependent upon the ability of the Group to successfully meet its sales targets and raise capital to support new revenue and business opportunities.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not include adjustments relating to the recoverability or classification of the recorded asset amounts nor to the amount or classification of liabilities that might be necessary should the group not be able to continue as a going concern. The directors consider that it is reasonable to expect that the Group will be successful in the above matters and, accordingly, have prepared the consolidated financial statements on a going concern basis.

AtCor Medical Holdings Limited and controlled entities

Notes to the consolidated financial statements

For the half-year ended 31 December 2017

(Continued)

Note 2 Segment information

Half-year				Inter-	
31 December 2017	Americas	Europe	Asia/ Pacific	segment eliminations/ unallocated	Consolidated
	\$	\$	\$	\$	\$
Sales to external customers	1,319,016	374,365	270,808	-	1,964,189
Intersegment sales	-	-	792,398	(792,398)	-
Revenue from sale of goods	1,319,016	374,365	1,063,206	(792,398)	1,964,189
Other revenue	-	-	418,369	-	418,369
Total segment revenue	1,319,016	374,365	1,481,575	(792,398)	2,382,558
Segment result	(318,919)	55,176	(670,233)	-	(933,976)
Unallocated revenue less unallocated expenses					(147,444)
Loss before income tax					(1,081,420)
Income tax expense					-
Net loss for the period					(1,081,420)
Half-year					
31 December 2016					
Sales to external customers	1,097,543	380,553	360,881	-	1,838,977
Intersegment sales	-	-	890,585	(890,585)	-
Revenue from sale of goods	1,097,543	380,553	1,251,466	(890,585)	1,838,977
Other revenue	-	-	470,855	-	470,855
Total segment revenue	1,097,543	380,553	1,722,321	(890,585)	2,309,832
Segment result	(1,673,178)	79,158	(860,323)	-	(2,454,343)
Unallocated revenue less unallocated expenses					586,248
Loss before income tax					(1,868,095)
Income tax expense					-
Net loss for the period					(1,868,095)

AtCor Medical Holdings Limited and controlled entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2017
(Continued)

Note 3 Dividends

No dividends were paid or declared since 30 June 2017 and the directors do not recommend the payment of a dividend.

Note 4 Revenue

	Half-year	
From continuing operations	2017	2016
	\$	\$
<i>Sales revenue</i>		
Sale of goods	1,700,068	1,753,834
Sales of services	264,121	85,143
	<u>1,964,189</u>	<u>1,838,977</u>
<i>Other revenue</i>		
Interest	153	278
	<u>153</u>	<u>278</u>
	<u>1,964,342</u>	<u>1,839,255</u>
<i>Other Income</i>		
R&D tax concession	418,369	470,248
Foreign Exchange gains	-	585,971
	<u>418,369</u>	<u>1,056,218</u>

Note 5 Equity securities issued

	2017 Shares	2016 Shares	2017 \$	2016 \$
Issues of ordinary shares during the half-year				
Issue of new fully paid ordinary shares	47,392,955	31,910,000	1,174,999	2,124,550
Costs of issue			(99,333)	(124,876)
Net funds received			<u>1,075,666</u>	<u>1,999,674</u>

Note 6 Contingent liabilities

There are no contingent liabilities.

Note 7 Event occurring after reporting date

No matter or circumstance has arisen since 31 December 2017 that has significantly affected or may affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

AtCor Medical Holdings Limited and controlled entities**Notes to the consolidated financial statements**

For the half-year ended 31 December 2017

(Continued)

Note 8 Earnings per share

	Half-year	
	2017	2016
	Cents	Cents
Basic earnings per share	(0.41)	(0.89)
Diluted earnings per share	(0.41)	(0.89)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	266,441,330	209,098,963
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	266,441,330	209,098,963

Options

Options granted to employees and others are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. As at 31 December 2017 there were 15,053,333 options outstanding (31 December 2016: 18,725,833) and no options were considered dilutive (31 December 2016: nil).

AtCor Medical Holdings Limited and controlled entities
Directors' declaration
31 December 2017

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that AtCor Medical Holdings 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 the directors.

A handwritten signature in black ink, appearing to read 'Donal O'Dwyer', with a checkmark at the end.

Donal O'Dwyer
Director

Sydney
28 February 2018



Independent auditor's review report to the members of AtCor Medical Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AtCor Medical Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for AtCor Medical Holdings Group. The Group comprises the Company and the entities it controlled during that 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 half-year financial report based on our review. We conducted our review in accordance with Australian 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 Group's consolidated financial position as at 31 December 2017 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 AtCor Medical Holdings 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 AtCor Medical Holdings Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1(a) in the interim financial report, which indicates that the Group incurred an operating loss after tax of \$1,081,420 and net cash outflows from operating activities of \$974,254 for the half-year ended 31 December 2017 and comments on the Group being dependent on its ability to successfully meet its sales targets and raise capital to support new revenue and business opportunities. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'S Prakash'.

S Prakash
Partner

Sydney
28 February 2018