AZURE
HEALTHCARE LIMITED

ANNUAL REPORT 2017

END OF FINANCIAL YEAR REPORT

For the Year Ended 30 June 2017

Contents

REGISTERED OFFICE
AZURE HEALTHCARE LIMITED
Level 18, 60 Albert Road
South Melbourne, VIC 3205
Australia

DIRECTORS
Mr Clayton Astles – Chief Executive Officer & Executive Director
Mr Graeme Billings– Non Executive Chairman
Mr Brett Burns– Non Executive Director

COMPANY SECRETARY
Mr Jason D’Arcy

AUDITORS
BDO East Coast Partnership
Level 18, 727 Collins Street
Melbourne, VIC 3000
Australia

SHARE REGISTRY
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnson Street
Abbotsford, VIC 3067
Australia

BANKERS
Australia and New Zealand Banking Group Limited
Business Banking
Level 1, 91 Maroondah Highway
Ringwood, VIC 3134
Australia

Commonwealth Bank of Australia
Level 12, 385 Bourke Street
Melbourne, VIC 3000
Australia

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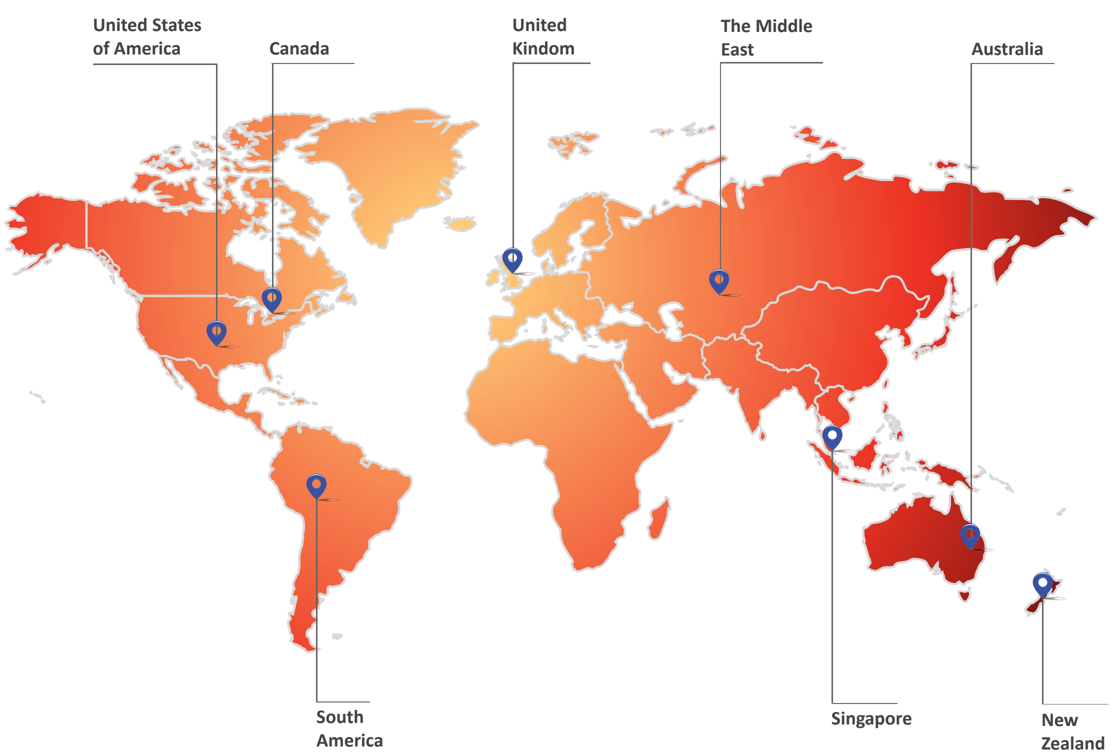
Azure Healthcare Ltd

Azure Healthcare Ltd is a global healthcare communication and clinical management solutions provider. We are a dedicated team that operates with the highest level of integrity, using reliable hardware and forward thinking software solutions, which comply with global healthcare standards. We help our customers improve operating efficiency, cut costs and increase the level of patient accountability and care.

Azure Healthcare provides the highest standard of products and service. Every system we deploy is designed to focus on maximizing operational efficiency.



Our Mission

Our mission is to create a better care environment and transform the way information is exchanged in communication critical environments to the benefit of healthcare stakeholders, the business, staff and those to whom they have a duty of care.

Our Values

At Azure, we believe that we make a real difference; that what we do can save lives. As such we continuously strive for excellence in our work and operate according to 7 core values.

1. Focus on Customers

Our customers are the core of our business. We believe that success comes by listening, collaborating, and responding to our customers' needs.

2. Innovation and Flexibility

Our goal is to embrace new technologies and to evolve our thinking and products so that our customers can continue to thrive in a changing environment.

3. Quality

We are committed to quality. We are constantly striving to make improvements in products, processes and services.

4. Teamwork

Our most valuable asset is our multi-disciplinary, talented and diverse team. We respect and rely on one another in order to achieve great results.

5. Relationships

We actively build and nurture strong relationships with our partners, investors and stakeholders, so we can understand their needs and exceed their expectations.

6. Safety

Austco is committed to the safety of our employees; contractors and customers. To achieve this, Austco design and manufacture its products according to international standards and compliances.

7. Transparency and Integrity

We strive to be open and transparent in all our work and carry out our business with integrity and highest level of professionalism.

Dear Shareholders,

The Company has now turned a significant corner and returned to an operating profit for the 6 months ended 30 June 2017, reporting a profit before tax of $0.25 million from revenues of $16.08 million after undertaking and completing its planned restructuring activities over the last 2 years. Whilst it is still early days we are encouraged by these initial results which we expect will continue well into the future as we further refine our processes and develop new and innovative products for the healthcare industry.

Industry update

The healthcare industry continues to increase their investment and reliance on information-based systems in order to improve patient care. Azure has further expanded its core systems functionality through the release of new and improved products through the course of the year including Mobile Apps and Real Time Locating Systems (RTLS) which are designed to meet customer demand for data analytics in this developing environment.

Corporate Strategy

During the 2017 financial year, the company delivered our 2 year strategic plan including a full product review and rationalisation, transition of manufacturing to the United States, divestment of non-core business, placement and rights issue capital raisings, full FDA and regulatory compliance and research and development initiatives.

Delivering on our research and development

The future of the Company remains strong as increased investment flows and growth create significant revenue opportunities. During the year the Company launched its Mobile Apps and RTLS applications. Software maintenance revenues for the 2017 year were $1.75 million or 6.1% of total revenue compared to $1.4 million or 4.2% of total revenue in the previous financial year. The Company is targeting enhanced patient stations with built in RFID, Near Field Communications (NFC) and further integrations in the 2018 financial year.

Well positioned for future growth

The future of our Company continues to be exciting as demand for software and infomatics based solutions increases the investment flow into our industry and creates significant revenue and growth opportunities for us moving forward.

I thank the Board, our employees, including Clayton Astles (CEO) and the management team and all of our staff, for their dedication and shareholders for their ongoing support as we continue to build a better and stronger company.

Graeme Billings
Chairman
Date this 29th day of September 2017, Melbourne

Austco Launches Pulse Mobile – Nurse Call Alarm Management for Smartphones

19 July, 2017

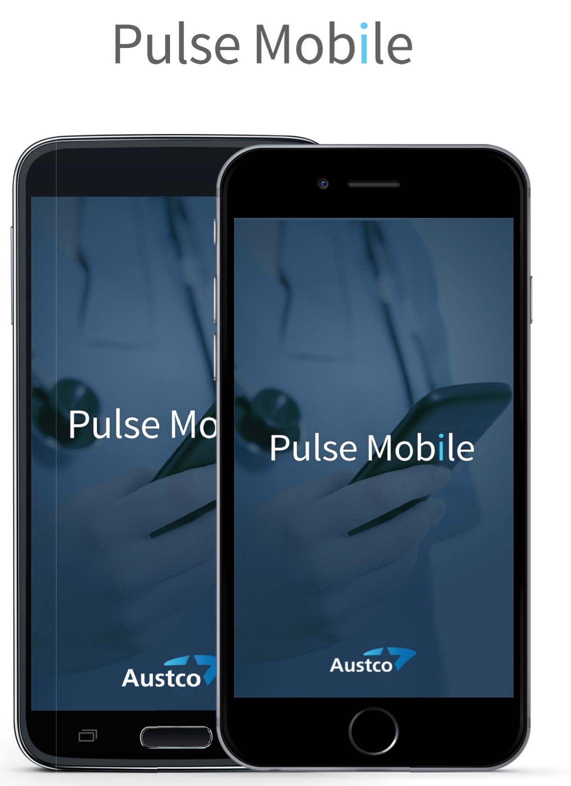
Austco Communication Systems Pty Ltd, a wholly owned subsidiary of Azure Healthcare Ltd (ASX:AZV), is pleased to announce the official launch of its Pulse Mobile smartphone solution. Pulse Mobile is a component of Austco's innovative Tacera Pulse software suite of next generation clinical business intelligence solutions.

Pulse Mobile is a smartphone application designed for iOS and Android that allows healthcare personnel to receive nurse call and 3rd party system alarms directly on their personal devices. The easy-to-configure solution is available for download from the Apple and Google Play stores. Users simply connect to their facility's Wi-Fi network, and the app will communicate with the Austco Mobile Gateway (AMG).

Pulse Mobile creates the most optimized user experience with its intuitive user interface. The app is easy to learn and navigate, using technology that users are already familiar with. Caregivers can "Accept", "Reject" or "Escalate" alarms with a simple action if they are unable to get to an assigned alarm immediately.

Using VoIP audio calling and VoIP-enabled call points, staff can respond to patient/resident alarms with Pulse Mobile's callback feature. Since patient information is never stored on a recipient's smartphone, Pulse Mobile ensures complete compliance with patient privacy laws.

Pulse Mobile simplifies the day-to-day activities of healthcare personnel by increasing their mobility. Notifications are routed to assigned caregiver's smartphones, allowing them to determine which alarms require immediate attention at a quick glance. Pulse Mobile enhances staff efficiency and caregiver response times, which will help improve patient/resident outcomes.



The Directors of Azure Healthcare Limited are pleased to report the financial and operating results for the financial year ended 30 June 2017. The Company spent the first half of the financial year completing and implementing a substantial restructure program and also implemented many strategic initiatives for the balance of the year. The Board are committed to Azure's long-term future and recognise these actions as necessary to allow us to advance our goals of evolving into a clinical workflow management software business. These strategic initiatives included but were not limited to the following:

A return to profitability in the 2nd half of the financial year

After completing a number of strategic initiatives in the first half of the financial year, the Company returned to an operating profit in the 2nd half of the financial year reporting a Profit before tax of $0.25 million from revenues of $16.08 million. See *Financials* below for further details.

New products including Pulse RTLS and Mobile Apps

Pulse RTLS is the second module in the evolution of Austco's innovative Tacera Pulse software suite and represents an important milestone in the company's development of next generation clinical business intelligence solutions.

Pulse's built-in RTLS integration offers the flexibility to choose a locating system that meets the needs of modern healthcare organizations. The Tacera Pulse software suite provides a visual presentation of a healthcare facility, which allows for the effortless monitoring and improvements of operational performance. Pulse RTLS uses an open API for unified integration with leading RTLS solutions such as CenTrak, Ekahau, Ekotek, Elpas and Stanley without using expensive middleware.

Pulse Mobile is a smartphone application designed for iOS and Android devices that allows healthcare personnel to receive nurse call and 3rd party alarms directly on their personal devices. The easy to configure solution is available for download from the Apple and Google Play stores. Users simply connect to their facility's Wi-Fi network, and the app will communicate with the Austco Mobile Gateway (AMG).

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Pulse Mobile simplifies the day-to-day activities of healthcare personnel by increasing their mobility. Notifications are routed to assigned caregiver's smartphones, allowing them to determine which alarms require immediate attention at a quick glance. Pulse Mobile enhances staff efficiency and caregiver response times, which will help improve patient/resident outcomes.

Completion and transition to new manufacturing facility

The Company completed its transition to a new manufacturing facility in the USA during the year. The rationale for this change is a direct result of increased world awareness for FDA compliant products. The Company is of the view that this trend will continue; in particular as healthcare products expand into clinical workflow and software solutions. The US is the leader in the healthcare innovation field with the remainder of the world tending to adopt US practices. Moreover the Company is engaging the fastest growing market in the United States where a strong presence is required.

Rationalisation of product lines

The Company underwent the largest product review and rationalisation in its history which reduced the number of parts manufactured from over 800 to less than 300. This initiative will help streamline order fulfilment, reduce operational and inventory holding costs whilst simplifying regulatory compliance for the Company.

Divestment of non-core CellGuard business

In the context of the restructure and strategic initiatives, on 23 December 2016, Austco Communication Sytems Pty Ltd, a wholly owned subsidiary of Azure Healthcare Ltd, divested its CellGuard product line through an asset sale agreement. This business was not a separate legal entity and its operating revenues and expenses were not material enough to disclose separately as discontinued operations. Sales, margins and costs associated with this business were not material to the financial report of the Consolidated Group for the current year.

Financial information relating to the sale of asset was as follows:

	30 June 2017 $'000
Sale proceeds (gross)	**1,000**
Adjustment for entitlements not transferred	**(197)**
Adjustment for entitlements on transferred staff	**(138)**
Sale proceeds (net)	**665**
Legal fees on sale	**(36)**
Advisory fees on sale	**(102)**
Inventory and fixed assets sold at WDV	**(205)**
Adjustment for entitlements on transferred staff	**138**
Capital gain on sale of assets	**460**

Non-operating impairment loss

In December 2016 the Company undertook a total company review of its intangible Goodwill assets within all operating divisions. As a consequence of this review, the Company determined that as a one off, non-operating, non-cash transaction, it should impair the full amount of acquired goodwill of $2.75 million reducing the total Goodwill intangible assets to nil. The reasons for the write-down of goodwill are principally the reduction in revenues and operating profit for the last 2 years whilst undertaking restructuring activities, which have significantly changed the business.

Taxation - Non-operating Deferred Tax Asset (DTA) write down

In June 2017 the Company completed an assessment of the book value of its tax assets. Although these tax credits are available to offset future profits in the Australian tax consoldiated Group; it could not be readily determined if these tax credits would be utilised in a reasonable time period. As a consequence of this assessment, the Company determined that as a one-off, non-operating, non cash transaction, it should write down the book value of any available tax credits totalling $2.08 million as an income tax expense.

Completion of Placement and Rights issue

During the 2017 year the Company successfully completed a placement of 28,456,731 new fully paid ordinary shares to sophisticated, professional and institutional investors at an issue price of $0.070 per share, to raise $1,991,971.

In conjunction with the Placement, the Company also completed a 1:15 pro-rata, non-renounceable rights offer comprising an issue of 14,544,552 fully paid ordinary shares at an issue price of $0.070 to raise $1,018,119.

The Placement and the Rights Offer raised a total of $3,010,090.

Financials

Revenue from ordinary activities decreased by 8.8% in the 2017 financial year to $29.19 million versus $32.02 million in 2016 largely due to the disruption of moving manufacturing from Perth to Dallas during the year. Note that second half revenues were $16.08 million versus the first half revenue of $13.11 million.

Gross margins were 46.3% (2016: 48.9%) reflecting higher overall costs of manufacturing in two facilities for the first 6 months of the financial year including restructuring initiatives.

Net loss after tax (NPAT) was ($6.42) million including the non-cash impairment of goodwill of $2.75 million and non-cash tax asset write down of $2.08 million, compared to ($3.65) million in the previous corresponding period representing a 75.9% increase in net loss after tax in the 2017 financial year.

Net earnings before interest, tax, depreciation and amortisation, (EBITDA) were ($0.93) million, whilst earnings before interest and tax (EBIT) were ($4.20) million after the one off non-cash impairment of goodwill expense of $2.75 million.

Net Tangible Assets (NTA): Net Tangible assets have increased from 3.74 cents to 3.86 cents per share, an increase of 3.2%.

Final Dividend: The directors have not declared a final dividend, as the Company will continue to focus on short-term working capital requirements for production expansion, R&D investment and Group debt reduction.

Operating expenses: operating expenses decreased by 20.46% over the prior corresponding period largely due to restructuring initiatives explained above. Our Research & Development investment expenditure increased from $2.9 million in the 2016 to $3.1 million in the 2017 financial year.

Cashflow

During the year the Company generated negative operating cashflow of $2.55 million and finished the year with cash at bank of $1.72 million. Increased working capital for the North American operations included inventory increases of $1.16 million. Note that the Company repaid $0.9 million in bank debt during the financial year.

The following performance summary table highlights the comparative results for each 6 months over the last 2 financial years.

Comparison Between Last 4 half year results				
	6 months ended 31 December 2016 $'000	6 months ended 31 December 2015 $'000	6 months ended 30 June 2017 $'000	6 months ended 31 December 2016 $'000
Revenue from Conitnuing Operations	13,054	17,312	15,868	14,258
Other Income	14	4	33	1
Foreign Exchange	39	366	183	87
Total Revenue	13,107	17,682	16,084	14,346
Cost of Goods Sold	(7,117)	(8,940)	(8,557)	(7,434)
Gross Profit	5,990	8,742	7,527	6,912
Gross Profit %	46%	49%	47%	48%
Other Income - Sale of Asset	460	-	-	-
Employee Benefits Expense	(5,020)	(6,628)	(5,117)	(5,935)
Motor Vehicle Expenses	(90)	(187)	(104)	(160)
Occupancy Expenses	(461)	(468)	(270)	(467)
Depreciation and Amortisation Expenses	(255)	(260)	(266)	(379)
Accounting, Audit and Legal Fees	(797)	(390)	(469)	(611)
Finance Costs	(56)	(37)	(52)	(50)
Travel Expenses	(389)	(483)	(378)	(338)
Other Expenses	(1,188)	(830)	(622)	(2,306)
Impairment Expense	(2,749)	-	-	-
(Loss)/Profit Before Income Tax	(4,555)	(541)	249	(3,334)
Income Tax Benefit / (Expense)	-	44	(2,111)	180
Net (Loss)/Profit after tax	(4,555)	(497)	(1,862)	(3,154)

The future

In 2018 we will focus on the following key objectives and initiatives to improve our business:

- Continue our focus on quality improvements including FDA and UL compliance
- Streamline manufacturing and operational efficiencies post strategic initiatives
- Establish a recurring revenue stream based on a subscription based pricing model
- Build strategic partnerships with market-leading healthcare technology companies

We have undertaken a number of bold strategies at Azure in the last 2 years and it is pleasing that we are now just starting to see the financial benefits flowing on from a substantial operational restructure program. We remain committed to delivering shareholder value by creating innovative products and solutions and believe that this will be the foundation to the Company's continued sustainable and consistent growth.

On behalf of the Board of Directors and Executive Management team, I would like to thank our dedicated and passionate staff who have delivered some exciting new products and continued fantastic customer service.

Finally, I would also like to thank you, our shareholders, for your trust and investment in our Company as we move into the future.

Yours faithfully

Clayton Astles
Chief Executive Officer
Dated this 29th day of September 2017, Melbourne

CORPORATE GOVERNANCE STATEMENT

Details of the Company's corporate governance practices which were approved at the same time as this Annual Report are included in the Corporate Governance Statement set out on the Company's website. This URL on the website is located at:
http://azurehealthcare.com.au/corporate-governance/corporate-governancekey-to-disclosures/

The Directors present their report, together with the financial statements, on the consolidated entity ('economic entity', 'Company' or 'Group') consisting of Azure Healthcare Limited and the entities it controlled for the year ended 30 June 2017.

DIRECTORS

The names of the Directors in office at the end of the year were:

Mr. Clayton Astles Chief Executive Officer & Executive Director (Appointed 31 July 2015)

Mr Astles has worked with Azure for the last 9 years in various roles including President of Azure Healthcare's operating subsidiary Austco Marketing & Services (USA) Ltd. He has helped build the group's reputation as a leader in the nurse call and clinical software solutions market in the United States and has been instrumental in the establishment of a Software Development Centre and manufacturing facility in Dallas, which will be responsible for developing the Company's next generation products.

Mr Astles, who has over 14 years leadership experience in the healthcare technology industry and holds a diploma in Electronics Engineering, joined Austco in April 2008 as Sales Manager and held the positions of Vice-President and President of Austco's Canadian and US businesses. Since his arrival he has led a successful direct sales and channel sales organisation across North America.

Current equity holding:
663,735 Ordinary Shares
5,000,000 options

Mr. Graeme Billings Non-Executive Chairman (Appointed 21 October 2015)

Mr Graeme Billings has been a Chartered Accountant since 1980 and retired from PriceWaterhouseCoopers in 2011 after 34 years. He is a former head of the Melbourne assurance practice as well as heading the firm's Australian and global industrial products business. He has had extensive experience providing assurance, transaction and consulting services to multinational and national clients across a variety of industries. Graeme is Chairman and Non-Executive Director of Korvest Limited, Non-Executive Director of Clover Corporation Limited, GUD Holdings Limited and DomaCom Limited. Graeme also serves as the Chairman of the audit and compliance committee of GUD Holdings Limited, Clover Corporation Limited and DomaCom Limited.

Current equity holding:
266,667 Ordinary Shares
Nil options

Mr. Brett Burns Non-Executive Director (Appointed 21 October 2015)

Brett Burns is a founding Partner of law firm CBW Partners having worked in a variety of roles within ASX Top 50 companies, government, national and international law firms. During Brett's 20 year career he has served as Company Secretary and General Counsel for the ASX listed Transurban Group (ASX:TCL), in private practice with international law firm Baker & McKenzie and in regulatory roles with the Australian Securities and Investments Commission. Brett specialises in mergers, acquisitions, capital markets and governance for ASX Listed companies. Brett also serves as a non-executive director of one of Australia's largest tap ware manufacturers, a consumer finance company and is also a member of the Australian Institute of Company Directors.

Current equity holding:
191,629 Ordinary Shares
Nil options

COMPANY SECRETARY

The following person held the position of Company Secretary during and at the end of the financial year:

Mr. Jason D'Arcy Company Secretary

Mr. D'Arcy is experienced in mergers and acquisitions, public company disclosure requirements including statutory reporting, ASX disclosures and in delivering quality management information within an organisation. Mr. D'Arcy is a CPA, with B.Ec and B.Bus (Accounting) qualifications.

Mr. D'Arcy has extensive ASX listed company financial experience in his former roles as the Chief Financial Officer and Company Secretary of Baxter Group Limited (ASX:BAX) and Cellestis Limited (ASX: CST). Mr. D'Arcy has also worked in senior finance roles for NTT Communications Ltd, AV Jennings Limited (ASX:AVJ), Gordon Industries Ltd and Kawasaki Ltd.

Current equity holding:
1,292,049 Ordinary Shares
2,000,000 options

DIVIDEND PAID OR RECOMMENDED

No dividends were paid or declared for the year ended 30 June 2017 (2016: Nil)

CORPORATE INFORMATION

Corporate Structure

Azure Healthcare Limited is a for-profit company limited by shares that is incorporated and domiciled in Australia. It has several subsidiaries as indicated in Note 16.

Principal Place of Business and Registered Office

Level 18, 60 Albert Road, South Melbourne, VIC 3205, Australia.

Principal Activities

The principal activities of the economic entity during the financial year were the manufacture and supply of healthcare and electronic communications systems.

Employees

The Company had 124 employees as at 30 June 2017 (2016: 129 employees).

REVIEW OF OPERATIONS AND OPERATING RESULTS

The consolidated loss of the economic entity after providing for income tax attributable to members of the parent entity amounted to $6.417 million (2016: $3.651 million loss). A Review of Operations is contained within the Chief Executive Offer's Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity during the financial year under review not otherwise disclosed in this Annual Report.

EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the reporting date, not otherwise disclosed in this report, which significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity is subsequent financial years.

LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The likely developments in the economic entity's operations, to the extent that such matters can be commented upon, are covered in the Chairman's Report contained elsewhere in this Annual Report.

ENVIRONMENTAL REGULATION

The economic entity's operations are not significantly impacted by any environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each key management person of Azure Healthcare Limited being directors and senior executives who influence or exercise strategic control of the economic entity. During the year, the following persons were key management personnel: Graeme Billings (Non-Executive Chairman – appointed 21 October 2015), Brett Burns (Non-Executive Director – appointed 21 October 2015), Jason D'Arcy (Chief Financial Officer & Company Secretary), Michael Read (Global Operations Manager) and Clayton Astles (Chief Executive Officer & Executive Director – appointed 31 July 2015).

REMUNERATION POLICY

The remuneration policy of Azure Healthcare Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results.

The Board of Azure Healthcare Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The Board's policies for determining the nature and amount of remuneration for Board members and senior executives of the economic entity are detailed below.

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Nomination and Remuneration Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, and are entitled to options and performance incentives if performance targets are met and incentives are approved by the Directors. The Nomination and Remuneration Committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominately on the forecast growth of the economic entity's profits and shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The Executive Director and executives not on consulting agreements receive a superannuation guarantee contribution required by the Australian government, which was 9.5% for the 2017 financial year, and do not receive any other retirement benefits. Some individuals, however have chosen to sacrifice part of their salary to increase payments towards superannuation.

REMUNERATION POLICY (CONTINUED)

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Nomination and Remuneration Committee (excluding those being assessed) determine payments to the Non-Executive Directors and review their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align the directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee share plan.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Executive Compensation

The objective of the economic entity’s executive remuneration and reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

The economic entity has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

The remuneration and reward strategy of the Company seeks to align executives and shareholders’ interests which:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering a constant return on assets as well as focusing the executive on key non-financial value drivers; and
- attracts and retains high caliber executives.

The remuneration and reward strategy of the Company seeks to align program participants’ interests which:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the economic entity, the balance of this mix shifts to a higher proportion of ''at risk'' rewards.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The maximum fees payable to Non-Executive Directors as agreed to by the company’s members at a previous Annual General Meeting are $250,000.

Company Performance, Shareholder Wealth and Key Management Personnel Remuneration

The following table shows the gross revenue, profits and dividends for the last five years as well as the share price at the end of each year.

	2017* $'000	2016* $'000	2015* $'000	2014* $'000	2013* $'000
Revenue	29,191	32,028	34.962	31,319	22,504
Profit/(Loss) for the year	(6.417)	(3,651)	1,093	3,865	1,040
Overall Earnings Per Share (cents)	(3.02)	(1.92)	0.58	2.05	0.55
Share price at year end	$0.08	$0.05	$0.14	$0.33	$0.68
Dividends paid	0.00	0.00	0.00	0.00	0.00

*Revenues from continuing operations only

Performance payments, in the form of cash bonuses or share based payments, to Key Management Personnel are disclosed in the report and table below and are paid in accordance with employment agreements and on achievement of set milestones which may be based on financial and non-financial outcomes. Payment of cash bonuses and options or shares are assessed on an annual basis by the board of directors and payment of incentive bonuses is at the discretion of the board of directors.

DIRECTORS' FEES

The current base remuneration of Directors was last reviewed with effect from 1 July 2017. Additional fees may also be payable to Directors for their membership on committees.

Voting at the Company's 2016 Annual General Meeting ("AGM")

The Company received 90.44% of 'for' votes in relation to its remuneration report for the year ended 30 June 2017.

DETAILS OF KEY MANAGEMENT PERSONNEL REMUNERATION

	Short Term Employee Benefits			Share Based Payments	Post Employment Expenses	Performance Related	
	Salaries, Fees and Commissions	Cash Bonus	Other Benefit	Equity-settled Options	Superannuation Contributions	Total	%
				2017			
	$	$	$	$	$	$	
Directors:							
Clayton Astles (appointed 31 July 2015)	503,880	173,838	25,623	-	-	703,341	25%
Graeme Billings (appointed 21 October 2015)	60,000	-	-	-	-	60,000	0%
Brett Burns (appointed 21 October 2015)	50,000	-	-	-	-	50,000	0%
Other key management personnel:							
Jason D'Arcy	371,280	83,538	4,748	-	-	459,566	18%
Michael Read	155,423	59,598	24,322	-	8,159	247,502	9%
	1,140,583	**316,974**	**54,693**	**-**	**8,159**	**1,520,409**	

DETAILS OF KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

	Short Term Employee Benefits			Share Based Payments	Post Employment Expenses	Performance Related	
	Salaries, Fees and Commissions	Cash Bonus	Other Benefit	Equity-settled Options	Superannuation Contributions	Total	%
				2016			
Directors:							
Clayton Astles (appointed 31 July 2015)	511,766	-	32,843	28,367	-	572,976	-
Graeme Billings (appointed 21 October 2015)	41,644	-	-	-	-	41,644	-
Brett Burns (appointed 21 October 2015)	34,703	-	-	-	-	34,703	-
Robert Grey (resigned 21 October 2015)	52,719	-	-	-	14,288	67,007	-
William Brooks (resigned 21 October 2015)	6,667	-	-	-	-	6,667	-
Greg Lewis (Resigned 12 October 2015)	29,068	-	-	-	-	29,068	-
Other key management personnel:							
Jason D'Arcy	374,773	-	-	11,346	-	386,119	-
Michael Read (Appointed 1 October 2015)	133,150	44,099	17,037	-	5,697	199,983	22%
	1,184,490	**44,099**	**49,880**	**39,713**	**19,985**	**1,338,167**	

For the 2016 financial year, despite the Chief Executive Officer and Chief Financial Officer having achieved all non financial hurdles of their respective Key Performance Indicators for the last financial year the Board determined that payment of bonuses was not in the best interest of shareholders given the financial performance of the Company whilst undertaking its restructuring program.

DETAILS OF KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2017	2016	2017	2016
Clayton Astles	69%	Nil	31%	100%
Mike Read	95%	100%	5%	Nil
Graeme Billings	-	-	-	-
Brett Burns	-	-	-	-
Jason D'Arcy	45%	Nil	55%	100%

Note: Non-Executive Directors are not entitled to bonus payments.

Options

Nil options were granted as part of remuneration in the financial year ended 30 June 2017 (2016: 7,000,000).

SHARE BASED COMPENSATION

The services and performance criteria set to determine compensation are discussed under remuneration policy commencing at page 18. All options were granted by Azure Healthcare Limited over ordinary shares for Nil consideration. There were nil options granted as part of remuneration in the financial year ended 30 June 2017 (2016: 8,200,000).

All employee options are unlisted, exercisable within 5 years of issue, have an exercise price consistent with the 30 day volume weighted average price at date of issue, exercisable after 3 years from date of issue. All options are non-transferable.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

No options were exercised during the year ended 30 June 2017.

PERFORMANCE INCOME AS A PROPORTION OF TOTAL REMUNERATION

As part of each Executive Director and executives remuneration package there is a performance-based component, based on the achieving of key performance indicators (KPI's). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration and Nomination Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPI's are set for the following year.

In determining whether or not a KPI has been achieved, Azure Healthcare Limited bases the assessment on audited figures.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

	Economic Entity	
	2017 $'000	2016 $'000
Occupancy Fees for the lease of the premises located at 40 O'Malley St, Osborne Park, WA were paid to Mr Robert Grey (Director) whilst a director (resigned 21 October 2015). Lease term: 01 January 2007 to 31 December 2016	-	98
Legal fees paid to CBW Partners, a firm controlled by Mr Brett Burns, for legal services rendered at rates equal to or better to CBW Partners usual commercial rates in respect of capital raisings, sale of CellGuard and debt recovery.	111	5
Salary paid to Mrs Rachael Read, spouse of KMP Mr Mike Read, for Administrative services provided.	22	14

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The employment conditions of the key executives are formalised in contracts of employment or service agreements. All Directors and Executives are employees of the Azure Healthcare Limited Group.

Remuneration and other terms of employment for the Chief Executive Officer and Chief Financial Officer and Company Secretary and other specified executives are formalised in individual service agreements. The major provisions relating to remuneration are set out below:

Chief Executive Officer - Mr Clayton Astles

- A written employment agreement is in place, effective from 1 August 2015, with either party required to give one year's notice, unless otherwise terminated;
- Base salary, inclusive of superannuation, to the value of $380,000 USD per annum and Annual car allowance to the value of $11,000 USD per annum;
- Annual performance bonus of up to a maximum of $190,000 USD based on a balance scorecard;
- Eligible to participate in the USA medical benefits program;
- Eligibility for company long term incentive plan; and
- 4 year term.

Non-Executive Chairman - Mr Graeme Billings

- A written service agreement is in place, effective from 21 October 2015, with either party required to give one month's notice, unless otherwise terminated;
- Base fee to the value of $85,000 per annum (effective from 1 July 2017)
- No fixed term.

Non-Executive Director - Mr Brett Burns

- A written service agreement is in place, effective from 21 October 2015, with either party required to give one month's notice, unless otherwise terminated;
- Base fee to the value of $70,000 per annum (effective from 1 July 2017)
- No fixed term.

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES (CONTINUED)

Chief Financial Officer and Company Secretary - Mr Jason D'Arcy

- A written consulting agreement is in place, effective from 1 August 2015, with either party required to give a minimum of one year's notice, unless otherwise terminated;
- Base fee, to the value of $280,000 USD per annum;
- Annual performance bonus of up to a maximum of $140,000 USD based on a balance scorecard;
- Mr D'Arcy is responsible for his own meal and accommodation costs whilst in both Australia and the USA;
- Eligibility for company long term incentive plan; and
- 4 year term.

Global Operations Manager - Mr Michael Read

- A written employment agreement in place, effective from 1 October 2015, with either party required to give 1 month notice, unless otherwise terminated;
- Base salary, exclusive of superannuation, to the value of $180,000 NZD per annum;
- The Company provides a fully maintained motor vehicle or vehicle allowance;
- Annual performance bonus up to 25 percent of base salary subject to personal performance and company profitability status;
- Additional annual performance bonus of up to 5 percent of amount exceeding New Zealand business unit budgeted performance; and
- No fixed term.

Options and Rights Holdings

Number of options held by Key Management Personnel:

2017	Balance 1 July or appointment date	Granted as Compensation	Expired During Year	Total Vested and Exercised	Balance 30 June or resignation date	Total Unvested and Unexercisable
Graeme Billings	-	-	-	-	-	-
Brett Burns	-	-	-	-	-	-
Clayton Astles	5,000,000	-	-	-	5,000,000	5,000,000
Michael Read	-	-	-	-	-	-
Jason D'Arcy	2,000,000	-	-	-	2,000,000	2,000,000
	7,000,000	**-**	**-**	**-**	**7,000,000**	**7,000,000**

SHAREHOLDINGS

Number of shares held by Key Management Personnel:

	Balance 1 July or appointment date	Received as Compensation	Net Change Other *	Balance 30 June or resignation date
		2017		
Graeme Billings	250,000	-	16,667	266,667
Brett Burns	29,652	-	161,977	191,629
Clayton Astles	-	-	663,735	663,735
Michael Read	15,000	-	1,000	16,000
Jason D'Arcy	-	-	1,292,049	1,292,049
	294,652	**-**	**2,135,428**	**2,430,080**

* Net change other includes shares acquired or disposed during the year.

End of Remuneration Report (Audited).

SHARES UNDER OPTIONS

Unissued ordinary shares of Azure Healthcare Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
3 August 2015	30 July 2020	$0.182	8,200,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No ordinary shares of Azure Healthcare Limited were issued during the year ended 30 June 2017 and up to the date of this report on the exercise of options granted.

MEETINGS OF DIRECTORS

During the financial year, 19 meetings of Directors, 6 Audit and Risk Management Committee meetings and 2 Nomination and Remuneration Committee meeting were held.

Attendances by each Director during the year were as follows:

	Director Meetings		Audit and Risk Management Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Graeme Billings	19	19	6	6	2	2
Brett Burns	19	19	6	6	2	2
Clayton Astles	19	19	-	-	-	-

A = Number of meetings eligible to attend

B = Number of meetings attended

INSURANCE AND INDEMNIFYING OFFICERS, DIRECTORS OR AUDITORS

The company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium is $34,871 (2016: $30,338). The company has indemnified the directors and executives of the company for costs incurred in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. No indemnifications have been provided by the company to the auditors.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below do not compromise the external auditor's independence for the following reasons:

NON-AUDIT SERVICES (CONTINUED)

- all non-audit services are reviewed and approved by the Audit and Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to the auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2017:

Other taxation compliance services totalling $2,856 (2016: $3,230) were paid to PKF International (Singapore) (Note 6).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration which forms part of the Directors report for the year ended 30 June, 2017 has been received and can be found on page 23.

ROUNDING OF AMOUNTS

The company is an entity to which corporations instrument 2016/191 applies and, accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2)(a) of the Corporations Act 2001.

Clayton Astles

Chief Executive Officer
Dated this 29th day of September 2017, Melbourne

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Australia

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF AZURE HEALTHCARE LIMITED

As lead auditor of Azure Healthcare Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Azure Healthcare Limited and the entities it controlled during the period.

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 29 September 2017

	Notes	Economic Entity 2017 $'000	2016 $'000
Revenues from continuing operations	2	28,919	31,570
Other income	2	272	458
Cost of sales		(15,674)	(16,374)
Gross Profit		**13,517**	**15,654**
Other Income – Sale of Asset	9	460	-
Employee Benefits Expense	3	(10,137)	(12,563)
Motor Vehicle Expenses		(194)	(347)
Occupancy Expenses		(731)	(935)
Depreciation and Amortisation Expenses	3	(521)	(639)
Accounting, Audit and Legal Fees		(1,266)	(1,001)
Finance Costs	3	(108)	(87)
Travel Expenses		(767)	(821)
Other Expenses		(1,810)	(3,136)
Impairment Expense	15	(2,749)	-
(Loss) Before Income Tax Expense		**(4,306)**	**(3,875)**
Income tax Benefit/(Expense)	4	(2,111)	224
(Loss) after income tax expense		(6,417)	(3,651)
(Loss) for the Year Attributable to Members of Azure Healthcare Limited		**(6,417)**	**(3,651)**
Other Comprehensive Income			
Items that may be reclassified subsequently to Profit or Loss			
Exchange difference arising on translation of foreign operations		(443)	235
Total comprehensive income		(6,860)	(3,416)
Total Comprehensive Income for the Year Attributable to Members of Azure Healthcare Limited		**(6,860)**	**(3,416)**
Earnings per share		**Cents**	**Cents**
Basic (loss)/per share	7	(3.02)	(1.92)
Diluted (loss)/per share	7	(3.02)	(1.92)

* The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
for the year ended 30 June 2017

	Notes	Economic Entity 2017 $'000	2016 $'000
Current Assets			
Cash and cash equivalents	10	1,717	1,685
Trade and other receivables	11	4,986	5,803
Inventories	12	9,257	8,093
Other assets	13	775	544
Total Current Assets		**16,735**	**16,125**
Non-Current Assets			
Property, plant and equipment	14	564	774
Deferred tax assets	4(c)	53	2,084
Intangible assets	15	-	3,000
Total Non-Current Assets		**617**	**5,858**
Total Assets		**17,352**	**21,983**
Current Liabilities			
Trade and other payables	17	7,202	6,366
Short term borrowings	18	1,128	2,024
Current tax liabilities	4(b)	29	85
Provisions	19	688	1,258
Total Current Liabilities		**9,047**	**9,733**
Long term borrowings	18	22	8
Provisions	19	20	72
Total Non-Current Liabilities		**42**	**80**
Total Liabilities		**9,089**	**9,813**
Net Assets		**8,263**	**12,170**
Equity			
Issued capital	20	38,076	35,123
Option reserve	20	48	48
Accumulated losses		(28,992)	(22,575)
Foreign exchange reserve		(869)	(426)
Total Equity		**8,263**	**12,170**

* The accompanying notes form part of these financial statements

	Issued Capital $'000	Option Reserve $'000	Accumulated Losses $'000	Foreign Exchange Reserve $'000	Total Equity $'000
Balance at 1 July 2015	35,123	-	(18,925)	(661)	15,537
Loss after income tax expense for the year	-	-	(3,651)	-	(3,651)
Other comprehensive income for the year, net of tax	-	-	-	235	235
Total comprehensive income for the year	-	-	(3,651)	235	(3,416)
Transactions with owners in their capacity as owners:					
Share based payments	-	48	-	-	48
Balance at 30 June 2016	**35,123**	**48**	**(22,575)**	**(426)**	**12,170**
Loss after income tax expense for the year	-	-	(6,417)	-	(6,417)
Other comprehensive income for the year, net of tax	-	-	-	(443)	(443)
Total comprehensive income for the year	-	-	(6,417)	(443)	(6,860)
Transactions with equity holders in their capacity as equity holders:					
Issue of Shares net of transaction costs	2,953	-	-	-	2,953
Balance at 30 June 2017	**38,076**	**48**	**(28,992)**	**(869)**	**8,263**

* The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
for the year ended 30 June 2017

	Notes	Economic Entity 2017 $'000	Economic Entity 2016 $'000
Cash Flows From Operating Activities			
Receipts from Customers (inclusive of GST)		29,645	31,906
Payments to Suppliers and Employees (inclusive of GST)		(32,040)	(33,897)
Interest Received		3	5
Finance Costs		(108)	(87)
Income Tax Paid		(52)	(139)
Net Cash Used by Operating Activities	23	**(2,552)**	**(2,212)**
Cash Flows From Investing Activities			
Payments for Acquisition of Property, Plant and Equipment		(120)	(183)
Proceeds from Disposal of Property, Plant and Equipment		27	-
Proceeds from Sale of Assets	9	665	
Net Cash Used in Investing Activities		**572**	**(183)**
Cash Flows From Financing Activities			
Proceeds from Issue of Shares		3,010	-
Transactions costs from Issue of Shares		(57)	-
Proceeds from / (repayment of) borrowings		(882)	694
Payment of finance lease		(7)	(6)
Net Cash Provided by Financing Activities		**2,064**	**688**
Net Increase / (Decrease) in Cash and Cash Equivalents		**84**	**(1,707)**
Cash and Cash Equivalents at Beginning of the Year		1,685	3,157
Effects of exchange rate changes on cash		(52)	235
Cash and Cash Equivalents at End of the Year	10	**1,717**	**1,685**

* The accompanying notes form part of these financial statements

GENERAL INFORMATION

The financial report covers the economic entity of Azure Healthcare Limited and controlled entities. Azure Healthcare Limited is a listed public company, incorporated and domiciled in Australia.

Azure Healthcare Limited's registered office and principal place of business are as follows:

Level 18, 60 Albert Road
South Melbourne, VIC 3205
Australia

The financial report was authorised for issue by the directors on 28 September 2017. The Company has the power to amend and reissue the financial report.

Separate financial statements for Azure Healthcare Limited as an individual entity are no longer presented as a consequence of a change in the Corporations Act 2001, however, limited financial information for Azure Healthcare Limited as an individual entity is included in Note 29.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for for-profit oriented entities.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards (IFRS).

New, revised or amending Accounting Standards and Interpretations adopted

The economic entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the economic entity.

Going Concern

The consolidated entity has incurred a loss of $6,417,000 including the non-cash impairment of goodwill and tax asset write down of $4.83 million. (2016: $3,615,000) and has had cash outflows from operating and investing activities of $1,980,000 (2016: $2,395,000) for the year ended 30 June 2017. Included in current borrowings at note 18 is an amount owing of $1.128 million. As set out in Note 18, this borrowing is at call with the facility to be renewed after the Group's Annual Report is completed.

These financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of its business, realisation of assets and settlement of liabilities in the normal course of business.

To this end, the Consolidated entity is expecting to fund its ongoing obligations as follows:

- The company has cash reserves at 30 June 2017 of $1.717 million

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern (continued)

- The financial performance of the company has improved in the second six months of the 30 June 2017 financial year with a profit before tax of $0.25 million and positive operating cashflow of $0.14 million. The directors are confident of achieving the forecasted operating cash flows, through developing sales, strategic marketing placement and continued effective management of cash flows.
- Included in current liabilities of $9.047 million are amounts that are not immediately payable. These liabilities are approximately $1.7 million and relates to US sales tax liabilities and provisions.
- The directors are anticipating agreeing a new facility with the consolidated entity's financier. The company has a track record of obtaining and renegotiating bank borrowing facilities in prior periods and the ability to repay facilities as and when they fall due.
- The Company has restructured its business operations and relocated its factory operations from Australia to the US. This restructure contributed to the Group's poor financial performance over the past two financial years. The Company is expecting an improvement in financial performance in the 30 June 2018 financial year.

Based on the above and cash flow forecasts prepared, the directors are of the opinion that the consolidated entity is well positioned to meet its objectives and obligations going forward and therefore that the basis upon which the financial statements are prepare is appropriate in the circumstances.

Basis of Preparation and Historical Cost Convention

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars, unless otherwise noted.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated:

(a) Critical accounting estimates and judgements

In the application of Australian Accounting Standards management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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

Judgments made in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed where applicable in the relevant notes to the financial statements.

INVESTMENT IN SUBSIDIARIES, GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS

The parent entity tests annually whether investments in subsidiaries, goodwill on consolidation and intangible assets have suffered any impairment in accordance with the accounting policy stated in Note 1(o). In

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Critical accounting estimates and judgements (continued)

December 2016 the Company undertook a total company review of its intangible Goodwill assets within all operating

divisions. As a consequence of this review, the Company determined that as a one off, non-operating, non-cash transaction, it should impair the full amount of acquired goodwill of $2.75 million reducing the total Goodwill intangible assets to nil. The reasons for the write-down of goodwill are principally the reduction in revenues and operating profit for the last 2 years whilst undertaking restructuring activities, which have significantly changed the business.

ALLOWANCE FOR DOUBTFUL DEBTS

The Company assesses impairment regularly. The allowance for doubtful debts represents management's estimate of the economic entity's doubtful debts as at 30 June 2017 based on age of debt, past experience, current information at hand and management's assessment of that information and subsequent collectability. At 30 June 2017, the allowances for doubtful debts was $124,000 (2016: $195,000).

SHARE BASED PAYMENTS

Share based payments are accounted for at fair valued using the Black-Scholes model. See Note 24 for further discussion.

INCOME TAX

The economic entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax and receivables of deferred tax asset. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The economic entity recognises liabilities for anticipated tax based on the economic

entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

WRITE DOWN OF INVENTORIES

The write down of inventories requires a degree of estimation and judgement. The level of write down is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory net realisable value. A further write down of $0.2 million (Note 12) has been made for inventory items which have been identified as products which the Company will discontinue in the near future as a part of a new rationalisation of existing products. This rationalisation of product inventories has been identified as a part of the transition to USA based manufacturing where a smaller number of products will be manufactured but in greater volume for greater efficiencies.

ESTIMATION OF USEFUL LIVES OF ASSETS

The economic entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Azure Healthcare Limited (company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of Consolidation (continued)

year then ended. Azure Healthcare Limited and its subsidiaries together are referred to in these financial statements as the ‘economic entity’.

Subsidiaries are all those entities over which the economic entity has control. The economic entity controls an entity when the economic entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the economic entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the economic entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the economic entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the economic entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The economic entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value adjustments in the value of pre-existing equity holdings are taken to profit or loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Business combinations (continued)

Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

(d) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

CURRENT TAX

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

DEFERRED TAX

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax assets and liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax loses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

CURRENT AND DEFERRED TAX FOR THE PERIOD

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly to

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income Tax (continued)

equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or discount on acquisition.

TAX CONSOLIDATION REGIME

Azure Healthcare Limited and its wholly-owned Australian subsidiaries (as indicated below), have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered into tax funding and sharing agreements whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Azure Healthcare Limited has formed a tax consolidated group with the following subsidiaries:

- Austco Communication Systems Pty Ltd; and
- Sedco Communications Pty Ltd.

The overseas entities are not part of the Azure Healthcare Limited tax consolidated group as they have been incorporated overseas, and are not Australian resident taxpayers.

(e) Financial Assets and Liabilities

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Subsequent to initial recognition, investments in subsidiaries are measured at cost or recoverable amount in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ’held-to-maturity investments’, ’available-for-sale’ financial assets, and ‘loans and receivables’.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Income or expense is recognised on an effective interest rate basis for financial instruments other than those financial assets or liabilities ‘at fair value through profit or loss’.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Assets and Liabilities (continued)

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

The economic entity derecognises a financial asset or liability only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset or liability and substantially all the risks and rewards of ownership of the asset or liability to another entity.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, freight and labour.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

DEPRECIATION

The depreciable amount of all fixed assets including capitalised leased assets are depreciated on a straight line or diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold Improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. On 30 June 2016 the company underwent an assessment of all fixed assets at the Perth, Australia facility and accelerated depreciation for all fixed assets determined to be low value or deemed to have reached the end of their useful economic life.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	20.00% - 50.00%
Plant and Equipment	22.50% - 50.00%
Motor Vehicles	18.75% - 22.50%
Furniture and Fittings	7.50% - 30.00%
Office Equipment	7.50% - 50.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. At the current and prior financial year there has been no material change. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the economic entity, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value or straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they occur.

(i) Intangibles

GOODWILL

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for the business or for an ownership interest in the controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with AASB 136 Impairment of Assets.

RESEARCH AND DEVELOPMENT COSTS

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

An intangible asset arising from development expenditure is recognised if, and only if all of the following are demonstrated:

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

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. The life of an average project is estimated between 4 and 9 years.

An intangible asset arising from computer software acquisition was amortised on a straight line basis over 4 years, ending in the 2017 financial year.

(j) Foreign Currency Transactions and Balances

FOREIGN CURRENCY

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Azure Healthcare Limited and the presentation currency for the consolidated financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign Currency Transactions and Balances (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

FOREIGN OPERATIONS

On consolidation, the assets and liabilities of the economic entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average monthly exchange rates. Exchange differences arising on translation of foreign operations, are recognised in the foreign exchange reserve in the statement of financial position. These differences are recognised in the statement of profit or loss on disposal of the foreign operation.

(k) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee Benefits (continued)

of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(l) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments.

(m) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer. Sales revenue relates to the sale of inventory is recognised when substantially all the risks and rewards of ownership have passed to the buyer. When the outcome of a contract to provide installation can be reliably measured, revenue is measured by reference to the percentage of the services provided. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established.

Income from the research and development tax incentive is recognised on an accruals basis.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(o) Impairment of Assets

At each reporting date, the economic entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of an assets fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cashflows relating to the asset using a pre-tax discount rate specific

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of Assets (continued)

to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cashflows are grouped together to form a cash-generating unit.

(p) Share Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity settled share-based payments, goods or services received are measured directly at fair value of the goods and services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the market value.

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss and other comprehensive income in the period in which they are incurred.

(r) Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(s) Earnings per share (EPS)

BASIC EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit attributable to the members of Azure Healthcare Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Rounding Amounts

The parent entity has applied the relief available to it under ASIC Legislative Investment 2016/191 and accordingly, amounts within this financial report have been rounded off to the nearest $1,000.

(u) New and Revised Accounting Standards Not Yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the economic entity for the annual reporting period ended 30 June 2017. The economic entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the economic entity, are set out below.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) New and Revised Accounting Standards Not Yet Effective (continued)

AASB 9 Financial instruments

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption.

The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets other than the fact the entity's loss allowance on trade receivables is likely to increase.

There will be little or no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The group's current occasional hedge instruments would qualify as continuing hedges upon the adoption of AASB 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The group has short term receivables. When this standard is adopted, the entity's loss allowance on trade receivables is likely to increase.

The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.

The new standard also introduces expanded disclosure requirements and changes in presentation. These may change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118, which covers revenue arising from the sale of goods and the rendering of services and AASB 111, which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for the first interim period within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) New and Revised Accounting Standards Not Yet Effective (continued)

Management is currently assessing the effects of applying the new standard on the entity's revenue recognition policies and resulting effects on its financial statements. The application of AASB 15 may result in some software maintenance revenues being recognised later than under the current standard, but more areas may be identified when the assessment has been completed. At this stage, the group is not able to estimate the effect of the new rules on the group's financial statements. The group will make more detailed assessments of the effect over the next twelve months. The group does not expect to adopt the new standard before 1 January 2018.

Comparatives will need to be retrospectively restated, either back to 1 July 2017 if the full retrospective transitional requirements are applied, or to 1 July 2018 if the modified retrospective transitional requirements are applied. Modified retrospective restatement requires that the cumulative effect of applying AASB 15 for the first time be recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.

AASB 16 Leases

AASB 16 Leases AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for the group's operating leases. To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis. Management is currently assessing the new standard on the entity's leases.

NOTE 2: REVENUE

	Economic Entity	
	2017	**2016**
	$'000	**$'000**
Continuing Operations		
Sale of Goods	28,919	31,570
Other income		
- Interest Received	3	5
- Other Income	47	-
- Foreign Exchange Gain	222	453
	272	**458**
Total Revenue from Ordinary Activities	**29,191**	**32,028**
- Other Income – Sale of Asset	460	-
Total Revenue	**29,651**	**32,028**

NOTE 3: LOSS FOR THE YEAR

	Economic Entity	
	2017 $'000	2016 $'000
Continuing Operations		
Finance Costs		
- interest paid	108	87
Depreciation and Amortisation of Non Current Assets		
- plant and equipment	270	388
- amortisation of development costs	251	251
	521	639
- factory equipment (included in cost of sales)	-	29
- Loss on Disposal	41	38
	562	706
Foreign currency translation gain	222	453
Bad and Doubtful Debts		
- trade receivables	-	361
Rental Expenses on Operating Leases		
- minimum lease payments	731	935
Employee Expenses		
Direct Labour Wages (included in Cost of Sales)	792	987
R&D wages and benefits expense	754	704
R&D superannuation contributions	65	61
Other employees' wages and benefits expense	9,081	11,456
Superannuation contributions	237	342
Total Employee Expenses excluding direct labour	10,137	12,563
Total employee expenses	10,929	13,550
Research and development expenditure not capitalised (includes R&D benefits expenses of $0.82 million noted above)	3,117	2,912
Write-off of inventory	195	532

NOTE 4: INCOME TAX EXPENSE

	Economic Entity 2017 $'000	Economic Entity 2016 $'000
(a) Income Tax Recognised in Profit or Loss		
Current tax expense	81	98
Deferred tax expense relating to the origination and reversal of temporary differences	1,827	(173)
Prior year under / over in relation to 2015 ITR amendment	203	(149)
Total Income Tax Benefit	**2,111**	**(224)**

The prima facie income tax expense on pre-tax accounting profit for the continuing operations reconciles to the income tax expense in the financial statements as follows:

	2017 $'000	2016 $'000
Loss from continuing operations	(4,306)	(3,875)
Income tax expense calculated at 30% (2016: 30%)	(1,292)	(1,163)
Non-deductible expenses	1,003	19
Other	6	88
Effect of different tax rates of subsidiaries operating in other jurisdiction	(8)	169
Unbooked losses	273	986
Recognition of DTA on R&D offsets	-	(159)
Under/Over	262	9
Current Year R&D Tax Incentive Benefit	(231)	(173)
Carry forward R&D Offsets not recognised	2,098	
	2,111	(224)
Other	-	-
Total Income Tax (Benefit) / Expense	2,111	(224)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. Overseas jurisdictions have differing corporate tax rates.

No income tax expense was incurred by the discontinued operation for the financial year ended 2017 (2016: $0).

The Australian tax Consolidated Group has recognised carry forward tax losses from prior years of $0 (2016: $0) in the current tax expense calculation. The remaining carry forward losses as at 30 June 2017, are $0 (2016: $0) with a carry forward non-refundable Tax Offset of $2,083,309(2016: $1,574,725).

NOTE 4: INCOME TAX EXPENSE (CONTINUED)

(b) Current Tax Assets and Liabilities

		Economic Entity	
		2017	**2016**
	Note	**$'000**	**$'000**
Current tax payable		29	85
		29	**85**

(c) Deferred Tax Balances

		Economic Entity	
		2017	**2016**
	Note	**$'000**	**$'000**
Deferred tax assets comprise temporary differences arising from the following:			
Provisions		275	751
Black hole expenditure		-	14
Accruals		104	97
		379	862
Other		-	89
Non-refundable Australian tax offset		-	1,575
		379	**2,526**
Deferred tax liabilities comprise temporary differences arising from the following:			
Capitalised development costs		-	(84)
Other		(326)	(358)
		(326)	(442)
Net deferred tax asset		**53**	**2,084**

Movements

	2017	**2016**
	$'000	**$'000**
Deferred tax asset		
Opening Balance	2,526	2,154
Debited to profit or loss	(2,147)	372
	379	**2,526**
Deferred tax liability		
Opening Balance	(442)	(274)
Credited to profit or loss	116	(168)
	(326)	**(442)**

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of Azure Healthcare Limited.

During the year the following persons were key management personal:

Mr Clayton Astles	Chief Executive Officer and Executive Director
Mr Michael Read	Global Operations Manager
Mr Graeme Billings	Non Executive Chairman
Mr Brett Burns	Non Executive Director
Mr Jason D'Arcy	Chief Financial Officer (CFO) and Company Secretary

	Economic Entity	
	2017	**2016**
	$	**$**
Summary		
Short-term employee benefits	1,512,250	1,278,469
Post employment benefits	8,159	59,698
	1,520,409	**1,338,167**

NOTE 6: AUDITORS REMUNERATION

	Economic Entity	
	2017	**2016**
	$	**$**
BDO East Coast Partnership		
Audit of the parent and subsidiary entities:		
- Auditing or reviewing of the financial statements	94,000	90,150
	94,000	90,150
Overseas Offices of BDO International and other unrelated auditors		
BDO International		
- Auditing or reviewing of the financial statements	92,021	80,279
PKF International (Singapore)		
- Auditing or reviewing of the financial statements	19,040	18,329
- Taxation compliance services	2,856	3,037
	113,917	101,645
Total Remuneration	**207,917**	**191,795**

NOTE 7: EARNINGS PER SHARE

	Economic Entity	
	2017	**2016**
	$'000	**$'000**
Overall operations		
(Loss) for the year attributable to members of Azure Healthcare Limited	(6,417)	(3,651)
	No.	**No.**
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	212,529,627	189,711,544
Effect of dilutive share options	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive earnings per share	212,529,627	189,711,544
Overall Earnings per share		
Basic earnings per share (cents per share)	(3.02)	(1.92)
Diluted earnings per share (cents per share)	(3.02)	(1.92)

NOTE 8: DIVIDENDS

	Economic Entity	
	2017	**2016**
	$'000	**$'000**
Amount of franking credits available for subsequent reporting periods:		
- franking account balance as at the end of the financial year at 30% (2016: 30%)	2,374	2,374
- franking credit that will arise from the payment of income tax payable as at the end of the financial year	-	-
The amount of franking credits available for future reporting periods:	2,374	2,374
	2,374	**2,374**

NOTE 9: SALE OF ASSETS

On 23 December 2016, Austco Communication Sytems Pty Ltd, a wholly owned subsidiary of Azure Healthcare Ltd, divested its CellGuard product line through an asset sale agreement. This business was not a separate legal entity and its operating revenues and expenses were not material enough to disclose separately as discontinued operations. Sales, margins and costs associated with this business were not material to the financial report of the Consolidated Group for the current financial year.

NOTE 9: SALE OF ASSETS (CONTINUED)

Financial information relating to the sale of asset was as follows;

	Economic Entity 2017 $'000
Sale proceeds (gross)	**1,000**
Adjustment for entitlements not transferred	**(197)**
Adjustment for entitlements on transferred staff	**(138)**
Sale proceeds (net)	**665**
Legal fees on sale	**(36)**
Advisory fees on sale	**(102)**
Inventory and fixed assets sold at WDV	**(205)**
Adjustment for entitlements on transferred staff	**138**
Capital gain on sale of assets	**460**

NOTE 10: CASH AND CASH EQUIVALENTS

	Economic Entity	
	2017 $'000	2016 $'000
Current		
Cash at bank and in hand	1,717	1,685
	1,717	**1,685**

Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial position as follows:

	2017 $'000	2016 $'000
Cash and cash equivalents	1,717	1,685
	1,717	**1,685**

NOTE 11: TRADE AND OTHER RECEIVABLES

	Economic Entity	
	2017 $'000	2016 $'000
Current		
Trade receivables	5,110	5,998
Less: Allowance for doubtful debts	(124)	(195)
	4,986	**5,803**

Past due but not impaired
The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collections practices.

NOTE 11: TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables is as follows:

	As at 30 June 2017		
Economic Entity	Gross $'000	Allowance $'000	Net Receivables $'000
30 days	4,453	-	4,453
60 days	309	54	255
90 days+	232	13	219
Retentions	116	57	59
Closing Balance	**5,110**	**124**	**4,986**

	As at 30 June 2016		
Economic Entity	Gross $'000	Allowance $'000	Net Receivables $'000
30 days	5,083	61	5,022
60 days	313	70	243
90 days+	384	64	320
Retentions	218	-	218
Closing Balance	**5,998**	**195**	**5,803**

Allowance for Doubtful Debt Provisions

	Economic Entity	
	2017 $'000	2016 $'000
Opening balance	195	545
Additional provision	-	11
Amount written off	(71)	(361)
Closing Balance	**124**	**195**

Provision for Doubtful Debt decreased during the 2017 period.

NOTE 12: INVENTORIES

(a) Inventory on hand

	Economic Entity	
	2017 $'000	2016 $'000
Current		
Finished goods on hand - at cost	5,220	2,831
Finished goods provision	(164)	(117)
Finished goods on hand at recoverable amount	5,056	2,714
Raw materials on hand – at cost	4,372	5,396
Raw materials provision	(443)	(779)
Raw materials on hand at recoverable amount	3,929	4,617
Work in progress	272	762
Total Inventory carrying amount at end of year	**9,257**	**8,093**

NOTE 12: INVENTORIES (CONTINUED)

(b) Movements in Inventory

	Economic Entity 2017 $'000	Economic Entity 2016 $'000
Carrying amount at beginning of year	8,093	6,907
Additions to provisions	(195)	(533)
Net increase in inventory	1,359	1,719
Carrying amount at end of year	**9,257**	**8,093**

NOTE 13: OTHER ASSETS

	Economic Entity 2017 $'000	Economic Entity 2016 $'000
Current		
Prepayments	522	245
Deposits paid	253	299
	775	**544**

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Economic Entity 2017 $'000	Economic Entity 2016 $'000
Leasehold Improvements		
Leasehold improvement- at cost	230	235
Less accumulated amortisation	(181)	(184)
	49	51
Plant and Equipment		
Plant and Equipment- at cost	779	884
Less accumulated amortisation	(669)	(724)
	110	160
Motor Vehicles		
Motor Vehicles - at cost	124	259
Less accumulated amortisation	(72)	(175)
	52	84
Furniture and Fittings		
Furniture and Fittings- at cost	162	269
Less accumulated amortisation	(113)	(188)
	49	81
Office Equipment		
Office Equipment- at cost	1,433	1,313
Less accumulated amortisation	(1,129)	(915)
	304	398
Total Property, Plant and Equipment	**564**	**774**

Movement in Carrying Amounts

Economic Entity	Leasehold Improvements $'000	Plant and Equipment $'000	Motor Vehicles $'000	Furniture and Fittings $'000	Office Equipment $'000	Total $'000
		2017				
Balance at 1 July 2016	51	160	84	81	398	774
Additions	19	23	24	-	54	120
Foreign exchange	(2)	(3)	(1)	(1)	(12)	(19)
Disposals	-	(9)	(28)	(3)	(1)	(41)
Depreciation	(19)	(61)	(27)	(28)	(135)	(270)
Balance at 30 June 2017	**49**	**110**	**52**	**49**	**304**	**564**

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Economic Entity	Leasehold Improvements $'000	Plant and Equipment $'000	Motor Vehicles $'000	Furniture and Fittings $'000	Office Equipment $'000	Total $'000
		2016				
Balance at 1 July 2015	36	315	138	112	429	1,030
Additions	43	26	-	1	113	183
Foreign exchange	(2)	7	1	4	6	16
Disposals	-	(25)	(11)	-	(2)	(38)
Depreciation	(26)	(163)	(44)	(36)	(148)	(417)
Balance at 30 June 2016	**51**	**160**	**84**	**81**	**398**	**774**

NOTE 15: INTANGIBLE ASSETS

	Economic Entity 2017 $'000	2016 $'000
Goodwill at cost	2,749	2,749
Less: impairment of goodwill	(2,749)	-
	-	2,749
Software at cost	-	46
Less: accumulated amortisation	-	(46)
	-	-
Product development at cost	2,345	2,345
Less: accumulated amortisation	(2,345)	(2,094)
	-	251
Total Intangibles	**-**	**3,000**

2017 Economic Entity	Software $'000	Goodwill $'000	Product Development $'000	Total $'000
Balance at 1 July 2016	-	2,749	251	3,000
Foreign exchange variation	-	-	-	-
Impairment	-	(2,749)	-	(2,749)
Amortisation	-	-	(251)	(251)
Balance at 30 June 2017	**-**	**-**	**-**	**-**

NOTE 15: INTANGIBLE ASSETS (CONTINUED)

2016 Economic Entity	Software $'000	Goodwill $'000	Product Development $'000	Total $'000
Balance at 1 July 2015	-	2,705	502	3,207
Foreign exchange variation	-	44	-	44
Amortisation	-	-	(251)	(251)
Balance at 30 June 2016	**-**	**2,749**	**251**	**3,000**

Impairment Disclosure

Goodwill is allocated to the company's cash-generating units being Healthcare.

	Economic Entity 2017 $'000	 2016 $'000
Healthcare	-	2,749

In December 2016 the Company undertook a total company review of its intangible Goodwill assets within all operating divisions. As a consequence of this review, the Company determined that as a one off, non-operating, non-cash transaction, it should impair the full amount of acquired goodwill of $2.75 million reducing the total Goodwill intangible assets to nil. The reasons for the write-down of goodwill are principally the reduction in revenues and operating profit for the last 2 years whilst undertaking restructuring activities, which caused the company to incur net operating losses and net operating cash outflows over this period. The recoverable amount of cash generating unit goodwill is determined based on value in use calculations as outlined in Note 1. In evaluating the recoverable amount of goodwill, the economic entity also considered future cash flows in assessing the recoverable amount of goodwill.

NOTE 16: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%) 2017	 2016
Parent Entity:			
Azure Healthcare Limited	Australia		
Subsidiaries of Azure Healthcare Limited			
Austco Communication Systems Pty Ltd	Australia	100%	100%
Sedco Communications Pty Ltd	Australia	100%	100%
Austco Marketing & Service (Asia) Pte Ltd	Singapore	100%	100%
Austco Marketing & Service (USA) Ltd	USA	100%	100%
Austco Marketing & Service (Canada) Ltd	Canada	100%	100%
Austco Marketing & Service (UK) Ltd	UK	100%	100%
Austco Communications (NZ) Ltd	New Zealand	100%	100%

NOTE 17: TRADE AND OTHER PAYABLES

	Economic Entity	
	2017	**2016**
	$'000	**$'000**
Current		
Trade payables	7,202	6,366
	7,202	6,366

Due to their short-term nature trade payables are measured at amortised cost and are not discounted.

NOTE 18: BORROWINGS

	Economic Entity	
	2017	**2016**
	$'000	**$'000**
Short term		
Other current liabilities	15	36
Fully Drawn Advance	1,113	1,988
	1,128	**2,024**
Long term		
Non-current vehicle liability	**22**	**8**
	22	**8**

The fully drawn advance facility is secured by a registered mortgage debenture over all assets and undertakings of Azure Healthcare Limited and its related entities. At the date of this report, the fully drawn advance was $1.11 million. The Group's banking facilities are to be assessed by the ANZ Bank following the receipt of the 30 June 2017 annual report and as such are currently considered at call.

NOTE 19: PROVISIONS

	Economic Entity	
	2017	**2016**
	$'000	**$'000**
Short Term		
Employee entitlements	306	1,089
Factory make good	-	75
Warranty Allowance	382	94
	688	**1,258**
Long Term		
Employee entitlements	20	72
	20	**72**

NOTE 19: PROVISIONS (CONTINUED)

(a) Movement in Short Term Provisions

2017	Employee Entitlements $'000	Factory Make Good $'000	Warranty Allowance $'000	Total $'000
Carrying amount at 1 July 2016	1,089	75	94	1,258
Additional provisions	-		382	382
Amounts incurred and or charged against provision	(783)	(75)	(94)	(952)
Carrying amount at 30 June 2017	**306**	**-**	**382**	**688**

The large movement in short term provisions is due to the closing of the Perth Factory in the first half of the current financial year.

(b) Movement in Long Term Provisions

2017	Employee Entitlements $'000	Total $'000
Carrying amount at 1 July 2016	72	72
Additional provisions	-	-
Amounts incurred and or charged against provision	(52)	(52)
Unused amounts reversed	-	-
Carrying amount at 30 June 2017	**20**	**20**

NOTE 20: ISSUED CAPITAL AND OPTION RESERVE

	Note	Economic Entity 2017 $'000	Economic Entity 2016 $'000
Ordinary shares fully paid	20(a)	38,076	35,123
		38,076	**35,123**

NOTE 20: ISSUED CAPITAL AND OPTION RESERVE (CONTINUED)

(a) Movement in Ordinary Shares on Issue

	2017		
	No. of shares	**Issue price**	**$'000**
At the beginning of the reporting period:	189,711,544		35,123
Placement Issue of Shares, net of transaction costs	28,456,731	0.070	1,992
Rights Offering of Shares, net of transaction costs	14,544,552	0.070	961
At Reporting Date	**232,712,827**		**38,076**

	2016		
	No. of shares	**Issue price**	**$'000**
At the beginning of the reporting period:	189,711,544		35,123
At Reporting Date	**189,711,544**		**35,123**

The Company has unlimited authorised share capital of no par value ordinary shares.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Movement in Options on Issue

		2017		2016	
	Note	**No. of options**	**$'000**	**No. of options**	**$'000**
At the beginning of the reporting period:		8,200,000	48	399,000	16
Options exercised during the year		-	-	(399,000)	(16)
Expired and forfeited options		-	-	-	-
Transfer to accumulated losses		-	-	-	-
Share based payment expense		-	-	8,200,000	48
At Reporting Date		**8,200,000**	**48**	**8,200,000**	**48**

Nature and Purpose of Reserve

The Share Option Reserve contains amounts received on the issue of options over unissued capital of the company, or the value of options attributable to share based payments.

(c) Employee Share Scheme

For information relating to the Azure Healthcare Limited Employee Share Scheme, including details of shares issued during the financial year, refer to Note 24.

NOTE 20: ISSUED CAPITAL AND OPTION RESERVE (CONTINUED)

(d) Capital Management

Management controls the capital of the group in order to maintain a target debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern. The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	Economic Entity	
	2017	**2016**
	$'000	**$'000**
Total borrowings	1,170	2,104
Less cash and cash equivalents	(1,717)	(1,685)
Net (Cash)/Debt	(547)	419
Total equity	8,263	12,170
Total capital	7,601	10,100
Gearing Ratio	-	3.44%

(e) Foreign Currency Reserve

The Foreign Currency Reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

NOTE 21: CAPITAL AND LEASING COMMITMENTS

All finance leasing commitments are for the financing of motor vehicles and office equipment.

(a) Operating Lease Commitments in Respect of Rented Properties

Non-cancellable operating leases contracted but not capitalised in the financial statements:

	Economic Entity	
	2017	**2016**
	$'000	**$'000**
- not longer than one year	358	643
- longer than one year but not longer than five years	203	819
Total Operating Lease Commitments	**561**	**995**

(b) Operating Lease Commitments in Respect of Motor Vehicles and Office Equipment

	Economic Entity	
	2017	**2016**
	$'000	**$'000**
- not longer than one year	53	26
- longer than one year but not longer than five years	89	10
Total Operating Lease Commitments	**142**	**36**

NOTE 22: SEGMENT REPORTING

Management has determined the operating segments based upon reports reviewed by the board and executive management that are used to make operational and strategic decisions.

Healthcare

The healthcare division focuses on providing electronic communications in healthcare and development of nurse call and care management systems for hospitals, aged care and detention care market. The healthcare division is further segmented into four geographic regions consisting of Australia/New Zealand, Asia, Europe and North America.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

(b) Intersegment transactions

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans and accounts receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

NOTE 22: SEGMENT REPORTING (CONTINUED)

- Derivatives;
- Net gains on disposal of available-for-sale investments;
- Impairment of assets and other non-recurring items of revenue or expense;
- Income tax expense;
- Deferred tax assets and liabilities;
- Current tax liabilities;
- Other financial liabilities;
- Intangible assets;
- Discontinued operations; and
- Retirement benefit obligations.

Results of Segments

Segment revenues and expenses are those directly attributable to the segments and include revenue and expenses where a reasonable basis of allocation exists.

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of expenses from the operating segments such as depreciation, amortisation, net interest and impairment to non current assets which is disclosed separately.

Inter-segment pricing

Segment revenues, expenses and result include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the economic entity at arm's length. These transfers are eliminated on consolidation.

NOTE 22: SEGMENT REPORTING (CONTINUED)

	Healthcare					Eliminations		
	Austco / Sedco / NZ $'000	Asia $'000	Europe $'000	North America $'000	Total $'000	Inter company $'000	Corporate $'000	Group Total $'000
2017								
Revenue – external	11,643	4,854	2,335	10,356	29,188	-	-	29,188
Revenue – intersegment	3,410	33	1	9,942	13,386	(13,386)	-	-
Interest Revenue	54	-	-	-	54	(52)	1	3
Total Revenue	15,107	4,887	2,336	20,298	42,628	(13,438)	1	29,191
Adj EBITDA	(79)	(88)	388	(667)	(446)	(693)	(2,540)	(3,677)
Depreciation	(74)	(25)	(14)	(157)	(270)	-	-	(270)
Amortisation	(251)	-	-	-	(251)	-	-	(251)
EBIT	(402)	(113)	374	(824)	(965)	(693)	(2,540)	(4,198)
Interest Expense	(11)	(1)	-	(53)	(65)	50	(93)	(108)
Income Tax Benefit	(2,056)	(2)	(53)	-	(2,111)	-	-	(2,111)
NPAT	(2,469)	(116)	321	(877)	(3,141)	(643)	(2,633)	(6,417)
2016								
Revenue – external	11,536	5,810	1,741	12,937	32,023	-	-	32,023
Revenue – intersegment	6,586	28	-	2,964	9,578	(9,578)	-	-
Interest Revenue	54	1	-	-	55	(50)	-	5
Total Revenue	**18,176**	**5,839**	**1,741**	**15,901**	**41,656**	**(9,628)**	**-**	**32,028**
Adj EBITDA	1,108	44	(118)	(3,550)	(2,517)	(319)	(313)	(3,149)
Depreciation	(197)	(37)	(18)	(136)	(388)	-	(1)	(389)
Amortisation	(251)	-	-	-	(251)	-	-	(251)
EBIT	**660**	**7**	**(136)**	**(3,686)**	**(3,156)**	**(319)**	**(314)**	**(3,789)**
Interest Expense	(10)	(1)	(1)	(53)	(65)	52	(74)	(87)
Income Tax	225	-	-	(1)	224	-	-	224
NPAT	**875**	**6**	**(137)**	**(3,740)**	**(2,997)**	**(267)**	**(388)**	**(3,651)**

Segment Assets								
30/06/2016	21,661	2,774	859	8,417	33,711	(29,962)	18,234	21,983
30/06/2017	20,744	2,074	1,251	12,007	36,076	(38,551)	19,827	17,352
Segment Liabilities								
30/06/2016	5,488	2,164	386	13,863	21,901	(14,099)	2,011	9,813
30/06/2017	6,963	1,613	494	18,228	27,297	(19,323)	1,115	9,089

NOTE 23: CASH FLOW INFORMATION

a) Reconciliation of Cash Flow from Operations with Loss After Income Tax

	Economic Entity 2017 $'000	Economic Entity 2016 $'000
(Loss)/Profit after income tax - continuing operations	(6,417)	(3,651)
Profit after income tax - discontinued operations	-	-
(Loss)/Profit after income tax	(6,417)	(3,651)
Non-Cash Flows in profit or loss		
Depreciation and amortisation	521	639
Loss on disposal of property, plant and equipment	41	38
Impairment of goodwill	2749	-
Non-Cash Flows in profit or loss	3,311	677
Changes in Assets and Liabilities		
Decrease/(Increase) in trade and other receivables	817	(117)
Decrease/(Increase) in prepayments and other assets	(231)	534
Increase in inventories	(1,164)	(1,012)
Decrease in deferred tax assets	2,031	(354)
Increase/(Decrease) in trade and other creditors	(847)	1,757
Increase/(Decrease) in income taxes payable	(52)	-
Increase/(Decrease) in deferred tax liabilities	-	(46)
	554	762
Net Cash Used in Operating Activities	**(2,552)**	**(2,212)**

(b) Credit Standby Arrangements with Banks

The Group has access to financing facilities at reporting date as indicated below. The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

Bank Overdraft

Bank overdraft facilities are arranged with the ANZ Bank with the general terms and conditions being set and agreed annually. Interest rates are variable and subject to adjustment.

	Economic Entity 2017 $'000	Economic Entity 2016 $'000
Secured Bank Overdraft Facility		
- amount used	-	-
- amount unused	-	450
	-	450
Secured Leasing Facility		
- amount used	-	9
- amount unused	-	241
	-	250

NOTE 23: CASH FLOW INFORMATION (CONTINUED)

(b) Credit Standby Arrangements with Banks (continued)

Secured Bank Loan Facility		
- amount used	1,113	1,988
- amount unused	-	12
	1,113	2,000

NOTE 24: SHARE BASED PAYMENTS

The Company established the Azure Healthcare Limited Employee Share Scheme as a means to reward employees for their contribution to the Company.

All employee options are unlisted and non-transferable. Options are issued pursuant to the Company's employee option plan with the conversion price set at the 30-day volume weighted average price prior to issuance plus 20 percent. The exercise of options will not be permitted until 36 months after grant date and expire 5 years after issuance.

There were no options granted during the current financial year. The Black Scholes valuation model inputs used to determine fair value at that date are as follows:

Grant Date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1 Aug 2015	30 Jul 2020	$0.17	$0.182	85%	Nil	2.2%	$0.093

All options granted to employees (including Key Management Personnel) are over ordinary shares in Azure Healthcare Limited (parent entity) and confer a right to one ordinary share for every option held. No options were granted or vested in the current year.

		Parent Entity			
		2017		2016	
	Note	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year		8,200,000	0.182	399,000	-
Exercised	20	-	-	(399,000)	-
Granted	20	-	-	8,200,000	0.182
Forfeited/expired	20	-	-	-	-
Outstanding at year end		8,200,000	0.182	8,200,000	0.182
Exercisable at year end		-	-	-	-

NOTE 24: SHARE BASED PAYMENTS (CONTINUED)

The options outstanding at 30 June 2017 had a weighted average exercise price of 18.2 cents and an average remaining contractual life of 3.08 years. The exercise price is 18.2 cents in respect of options outstanding at 30 June 2017.

Vesting conditions for the options are the following:

- 3 years from the grant date and
- operating profit result after tax is a 50% increase on the 2015 financial year or
- 338% improvement in net profit after tax for the 36 month period from grant date

The probability of options vesting has been assessed as 0% (2016:20%)

NOTE 25: RELATED PARTY TRANSACTIONS

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

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 16.

Remuneration of Key Management Personnel are disclosed in Note 5.

Transactions with related parties:

	Economic Entity	
	2017 $'000	2016 $'000
Occupancy Fees for the lease of the premises located at 40 O'Malley St, Osborne Park, WA were paid to Mr Robert Grey (Director). Lease term: 1 January 2007 to 31 December 2016*	-	98
Legal fees paid to CBW Partners, a firm controlled by Mr Brett Burns, for legal services rendered at rates equal to or better to CBW Partners usual commercial rates in respect of capital raisings, sale of CellGuard and debt recovery.	111	5
Salary paid to Mrs Rachael Read, spouse of KMP Mr Mike Read, for Administrative services provided	22	14

*There is no disclosure in the current financial year because Mr Grey is no longer a director (resigned 21 October 2015).

Holding Company Transactions with Subsidiaries:

	Economic Entity	
	2017 $'000	2016 $'000
Holding Company Receivables from Subsidiaries		
Austco Communication Systems	3,924	2,281
	3,924	2,281

NOTE 26: FINANCIAL INSTRUMENTS

Fair Value Measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Interest Rate Risk

The Group's principal financial instruments comprise receivables, payables, bank loans and overdraft, cash and short term deposits. These expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Directors meet monthly to monitor and discuss the current market conditions and the impact on the Group. This monthly analysis and review considers the Group's market risk and exposure, credit risk and liquidity risk. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through annual budgets and regular forecasts. The analysis undertaken enables the Board to determine the overseas price list, the level of debt appropriate to the business and other factors which may impact on the Group's risk profile.

The method of monitoring risk has not altered from the previous corresponding period.
The economic entity's exposure to interest rate risk, which is the risk that a financial instrument’s value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Interest Rate Risk

	Weighted average interest rate	Floating interest rate	Non-interest bearing		Fixed Interest Rate	
			1 year or less	1 to 5 years	1 year or less	Total
		$'000	$'000	$'000	$'000	$'000
			2017			
Financial Assets						
Cash and cash equivalents	0.70%	1,717	-	-	-	1,717
Trade and other receivables		-	4,986	-	-	4,986
Total		**1,717**	**4,986**	**-**	**-**	**6,703**
Financial Liabilities						
Trade and other payables		-	5,459	1,743	-	7,202
Bank loans	5.83%	1,113	-	-	-	1,113
Other current liabilities	0%	-	-	-	15	15
Total		**1,113**	**5,459**	**1,743**	**15**	**8,330**

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

	Weighted average interest rate	Floating interest rate	Non-interest bearing		Fixed Interest Rate	Total
			1 year or less	1 to 5 years	1 year or less	
		$'000	$'000	$'000	$'000	$'000
2016						
Financial Assets						
Cash and cash equivalents	0.71%	1,685	-	-	-	1,685
Trade and other receivables		-	5,803	-	-	5,803
Total		**1,685**	**5,803**	**-**	**-**	**7,488**
Financial Liabilities						
Trade and other payables		-	6,366	-	36	6,366
Bank loans	3.7%	1,988	-	-	-	1,988
Other current liabilities	0%	-	-	-	-	36
Total		**1,988**	**6,366**	**-**	**36**	**8,390**

At 30 June 2017 the Group did not have any material exposures to interest rates. The following table illustrates, with all other variables held constant, if there was a movement of + and – 10% then pre tax profit would have been affected as follows.

	Cash and Cash Equivalents Higher/(Lower)		Short term liabilities Higher/(Lower)	
	2017	2016	2017	2016
Interest	$'000	$'000	$'000	$'000
+10%	1	1	7	8
-10%	(1)	(1)	(7)	(8)

Risk Exposure and Responses
The Group's exposure to market interest rates relates primarily to the Group's short term deposits held. The effect of volatility of interest rates within expected reasonable possible movement would not be material.

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

		Economic Entity 2017 $'000	Economic Entity 2016 $'000
Financial Assets			
Current assets (inc. cash and trade receivables)	USD	2,687	1,249
	NZD	620	1,067
	CAN	1,487	1,263
	GBP	432	296
	SGD	928	1,671
Financial Liabilities			
Current liabilities (inc. trade and other payables)	USD	2,890	5,075
	NZD	608	207
	CAN	650	3,049
	GBP	175	153
	SGD	624	794

Trade receivables / payables between group companies eliminate on consolidation.

Sensitivity Analysis

The Group currently has material exposures to the currencies in the table below.

At 30 June, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Loss Higher/(Lower)		Equity Higher/(Lower)	
Economic Entity	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
AUD/USD +10%	(63)	(265)	471	(209)
AUD/USD -10%	63	265	(471)	209
AUD/NZD +10%	38	73	141	156
AUD/NZD -10%	(38)	(73)	(141)	(156)
AUD/CAN +10%	33	(55)	131	(147)
AUD/CAN -10%	(33)	55	(131)	147
AUD/GBP +10%	56	14	76	47
AUD/GBP -10%	(56)	(14)	(76)	(47)
AUD/SGD +10%	48	52	46	61
AUD/SGD -10%	(48)	(52)	(46)	(61)

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments. A movement of + and – 10% is selected because a review of recent exchange rate

26: FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity Analysis (continued)

movements and economic data suggests this range is reasonable. All the amounts in the table above are displayed in $AUD.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. It is the group's policy to consider the credit worthiness of all customers who wish to trade on credit terms.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

Price Risk

The Group's exposure to raw material commodities and equity securities price risk is minimal.

Liquidity Risk

The Group manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the economic entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Economic Entity	Weighted average interest rate	1 year or less $'000	Between 1 to 2 years $'000	Between 2 to 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
			2017			
Non-interest bearing						
Trade and other payables		5,459	-	1,743	-	7,202
Other current liabilities	0%	15	-	-	-	15
Interest bearing						
Bank loan	5.83%	1,113	-	-	-	1,113
Total		**6,587**	**-**	**1,743**	**-**	**8,330**

26: FINANCIAL INSTRUMENTS (CONTINUED)

Economic Entity	Weighted average interest rate	1 year or less $'000	Between 1 to 2 years $'000	Between 2 to 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
			2016			
Non-interest bearing						
Trade and other payables		6,366	-	-	-	6,366
Other current liabilities	0%	36	-	-	-	36
Interest bearing						
Bank loan	3.70%	1,988	-	-	-	1,988
Total		**8,390**	**-**	**-**	**-**	**8,390**

Bank loan facility is a floating interest at call facility thus future interest payment cannot be determined

NOTE 27: EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the reporting date, not otherwise disclosed in this report, which significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

NOTE 28: CONTINGENT LIABILITIES AND ASSETS

Outstanding Bank Guarantees

The outstanding bank guarantees held as at 30 June 2017 amounted to $40,860 (2016: $40,860), which consist of financial guarantees of $40,860 (2015 financial guarantees: $81,721) relating to the lease agreement of the registered office at Level 18, 60 Albert Road, South Melbourne.

NOTE 29: PARENT ENTITY INFORMATION

The following information related to the parent entity, Azure Healthcare Limited as at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Parent Entity	
	2017	**2016**
	$'000	**$'000**
Current assets	3,889	2,295
Non-current assets	5,939	15,938
Total Assets	**9,828**	**18,233**
Current liabilities	(1,115)	(2,011)
Non-current liabilities	-	-
Total Liabilities	**(1,115)**	**(2,011)**
Net Assets	**8,713**	**16,223**
Issued Capital	38,076	35,123
Accumulated losses	(29,410)	(18,946)
Option Reserve	47	47
Total Equity	**8,713**	**16,223**
Loss for the year	(349)	(387)
Profit after income tax expense from Discontinued Operations	-	-
Total comprehensive income for the year	**(349)**	**(387)**

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

The Directors of Azure Healthcare Limited declare that:

(a) in the Directors' opinion the financial report as set out on pages 12 to 22 and remuneration report as set out on pages 14 to 20, are in accordance with the Corporation Act 2001, including:

(i) giving a true and fair view of consolidated entity's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date;

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

(iii) the remuneration disclosures contained in the remuneration report comply with s300A of the Corporations Act 2001.

(b) the financial report also complies with International Financial Reporting standards issued by the International Accounting Standards Board (IASB) as disclosed in note 1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they became due and payable.

The directors have been given the declarations by the chief executive and chief financial officer for the financial year ended 30 June 2017, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Clayton Astles
Chief Executive Officer
Dated this 29th day of September 2017, Melbourne

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Melbourne VIC 3008
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INDEPENDENT AUDITOR'S REPORT

To the members of Azure Healthcare Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Azure Healthcare Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors’ declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group’s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Going Concern

Key audit matter	***How the matter was addressed in our audit***
The Group has incurred losses and negative operating cash flows for the year ended 30 June 2017. Disclosed at note 18 to the financial statements is the Group's existing borrowing facility of $1.113 million being at call. The Group's borrowing facility is to be reviewed following lodgment of the financial report. Current financing arrangements require a quarterly principal repayment on these borrowings of $125,000. The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter. We use a high level of judgement to evaluate the Group's assessment of its ability to continue operating as a going concern. In note 1 "Going Concern" of the financial report, the Directors have documented their considerations and have determined that the going concern basis is the appropriate basis of accounting. Their assessment of going concern was based on cash flow forecasts. The preparation of these forecasts incorporated a number of assumptions and judgments, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgment does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. We assessed the forecasts, including the Directors' assumptions regarding the timing of future cash flows and operating results which are	Our procedures included, amongst others, the following: • Reviewing cash-flow forecasts and challenging management's assumptions around future sales, gross margin and operating costs, and resulting cash flows; • Analyzing the impact of reasonable possible changes in cash flow forecasts and their timing by applying sensitivities to key inputs includes future sales, gross margin and operating costs; • Sensitizing the cash forecasts for repayment of the borrowing facility. • Reviewing subsequent events as they pertain to actual financial performance and cash levels of the Group; and • Assessing the adequacy of the Group's disclosures within the financial statements.

by their nature uncertain. We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgments.

Carrying Value of Inventory

Key audit matter	***How the matter was addressed in our audit***
Refer to note 12 of the accompanying financial statements Inventory represents a significant asset on the consolidated statement of financial position as at 30 June 2017, with inventory assets of $9,257,000 consisting of finished goods, work in progress and raw materials. Estimating the recoverable value of inventory represents a key audit matter due to the total carrying value of inventory held at year end and the high level of judgement required by management in assessing the recoverable value of inventory.	Our audit procedures, amongst others, included: • Assessing the reasonableness of the group's inventory provisioning policy and its application across the various components of the group; • Reviewing aged inventory items, to ensure any items greater than the set threshold in the group's inventory provision policy were provided for; • Enquiring with management to assess how obsolete inventory which does not meet the age criteria is identified and provided for; • Analysing the adequacy of the inventory provision on a country level, based on historical and budgeted inventory turnover ratios.

Foreign Exchange Accounting

Key audit matter	***How the matter was addressed in our audit***
The accounting policy for foreign exchange accounting is described in Note 1 Due to the significance and volume of foreign currency transactions to the consolidated financial statements and the Group operating in multiple overseas jurisdictions, foreign exchange accounting was identified as a key audit matter.	Our audit procedures included, among others: • Reviewing the exchange rates used by management against published exchange rates to ensure those used were appropriate throughout the financial year. • Evaluating foreign exchange transactions recorded during the year to ensure they have been recorded correctly; • Reviewing management's assessment of the functional currency adopted for group subsidiaries and the functional currency of the group. • Confirming the translation of the financial statements of overseas subsidiaries companies to the group functional currency and presentation currency. • Verifying that foreign exchange gains and losses were accurately accounted for through the income statement and the Foreign Currency Equity Reserve (FCTR).

Carrying Value of Goodwill – Impairment Assessment

Key audit matter	***How the matter was addressed in our audit***
Refer to note 15- Intangible Assets and note 1 - Critical Accounting Estimates and Judgements of the accompanying financial statements. At the beginning of the financial year, the group had recognised intangible assets of $3,000,000, with the majority of the balance relating to goodwill of $2,749,000 resulting from business combinations and asset acquisitions. The assessment of impairment of the Group's intangible asset balances incorporated significant judgment in respect of several factors such as discount rates, revenue growth and cost assumptions.	Our audit procedures, among others, included: • Evaluating the assumptions and methodologies used by the Group, in particular those relating to forecasted cash flows and discount rates; • Challenging the Group's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecast revenue, expenses, capital expenditure and discount rates and corroborating the key market related assumptions to external data;

We have focussed on this area as a key audit matter due to the amounts involved being material; the inherent subjectivity associated with critical judgements being made in relation to forecast future revenue and costs; discount rates; and terminal growth rates. The Group recorded an impairment expense of $2,749,000 relating to the Goodwill for the year ended 30 June 2017.	• Confirming the mathematical accuracy of the cash flow models and agreed relevant data to the latest forecasts; • Assessing the historical accuracy of forecasting of the Group; • Sensitizing the discount rate, forecasted revenue growth and terminal growth assumptions on the CGUs; • Reviewing the adequacy of the disclosures in the financial accounts at year end 30 June 2017 of the full impairment of goodwill.

Recoverability of Deferred Tax Assets

Key audit matter	*How the matter was addressed in our audit*
Refer to note 4 in the financial report. The Group recognised net deferred tax assets of $2,084,000 as at 30 June 2016, of which $1,575,000 arose from Non-Refundable Research & Development (R&D) tax credits in Australia carried forward. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable in future taxable profits. This was a key audit matter due to the quantum of the deferred tax asset recognised as well as the significant judgment required in preparing profit forecasts to demonstrate the future utilisation of these losses in accordance with the requirements of Australian Accounting Standards. The Group de-recognised the full amount of Non-Refundable R&D tax credits, resulting in a decrease in deferred tax assets of $2,083,000 at 30 June 2017.	Our audit procedures among others, included: Agreeing key inputs for the Group tax calculations to supporting documentation. We tested the mathematical accuracy of the tax calculations. Evaluating the deferred tax calculation and performing a recalculation of the amounts. We also considered the recoverability of deferred tax assets through the availability of future taxable income including an assessment of the Group's 2018 budget Assessing and challenging management's judgements relating to the forecast of future taxable profit and evaluated the reasonableness of the assumptions underlying the preparation of these forecasts. Reviewing the adequacy of the disclosures in the financial accounts at year end 30 June 2017, surrounding the de-recognition of deferred tax assets at 30 June 2017 of $2,083,000 million.

BDO

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Azure Healthcare Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

David Garvey
Partner

Melbourne, 29 September 2017

Number of Holders of Equity Securities

Ordinary Shares

232,712,827 fully paid ordinary shares are held by 1,303 individual shareholders.
All ordinary shares carry one vote per share.

Distribution of Holders In Each Class Of Equity Securities

Fully paid ordinary shares	Number of shareholders
1 – 1,000	40
1,001 – 5,000	205
5,001 – 10,000	204
10,001 – 100,000	664
100,001 and over	180
Total Number of shareholders	1,303
Unmarketable parcels	255

Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share registry:

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Change of Address, Change of Name, Consolidation of Shareholdings

Shareholders should contact the share registry to obtain details of the procedure required for any of these changes.

Removal from the Annual Report Mailing List

Shareholders who do not wish to receive the Annual Report should advise the share registry in writing. These shareholders will continue to receive all other shareholder information.

Tax File Numbers

It is important that Australian resident shareholders, including children, have their tax file number or exemption details recorded with the share registry.

CHESS (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHESS System should contact their stockbroker.

Uncertified Share Register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of the holding.

Twenty largest Holders Of Quoted Securities

Shareholder	Number	%
NATIONAL NOMINEES LIMITED	40,951,971	17.60
MR ROBERT GREY + MS AURAWAN GREY <CETAU SUPER FUND A/C>	37,149,922	15.96
ASIA PAC HOLDINGS PTY LTD	17,317,631	7.44
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,731,169	5.90
BILL BROOKS PTY LTD <BILL BROOKS SUPER FUND A/C>	12,251,408	5.26
MR ROBERT EDWARD GREY <AUSTCO A/C>	10,159,928	4.37
ASIA PAC TECHNOLOGY PTY LTD	8,525,266	3.66
ASIA PAC HOLDINGS PTY LTD	3,230,783	1.39
DEBUSCEY PTY LTD	3,002,298	1.29
MR DAVID LEROY BOYLES	2,000,000	0.86
MR RICHARD MCINDOE	1,814,413	0.78
SEAN ELIAS FAMILY INVESTMENTS PTY LTD <SEAN ELIAS INVESTMENTS A/C>	1,520,402	0.65
MR JASON D'ARCY <D'ARCY SUPER FUND A/C>	1,292,049	0.56
MR ANDREW DUNCAN NASH + MR GEOFREY DUNCAN NASH <NASH SUPER FUND A/C>	1,246,485	0.54
NABRU NOMINEES PTY LIMITED <NABRU NOMINEES P/L S/F A/C>	1,215,443	0.52
OLD FLETCHER & PARTNERS PTY LTD <FLETCHER SUPER FUND A/C>	1,104,578	0.47
MR DAVID JOHN LIGHTFOOT	1,093,993	0.47
AGRI EXPORT AUSTRALIA PTY LTD	1,061,345	0.46
HASKANE PTY LTD <BUZZA FAMILY S/F A/C>	1,007,101	0.43
MR NICHOLAS SMEDLEY	1,000,000	0.43

Azure Healthcare receives $0.657m AUD Order for Austco Nurse Call System and Tacera Pulse Software Platform

12 July, 2017

- **Tacera Pulse Software Platform will be used to validate nurse workload and streamline workflows**
- **Solution enables audio communications between patients and staff**

Tuesday, 11 July 2017 – Melbourne – Azure Healthcare Limited (ASX:AZV) is pleased to announce that Austco North America has received a $0.657m AUD purchase order for the supply of Austco's Nurse Call System and Tacera Pulse software platform. System installation and commissioning is expected to be completed this financial year.

Critical messages, including medical emergency notifications, will be sent to programmable corridor displays and duty stations installed throughout the facility to ensure staff are immediately notified and can act accordingly. Two-way audio will link patients to all healthcare personnel in real-time, helping improve workflow and drive efficiencies while reducing risk.

Using Tacera Pulse, the customer will monitor nurse call alarms, collect alarm and response data, and measure performance outcomes. Austco's data warehouse solution will allow management to aggregate data on specific KPI's (Key Performance Indicators), and use the data to gauge performance with the granularity needed to audit performance and improve patient satisfaction.

In addition, customizable reporting will capture metrics and information critical to validating nurse workload which will help drive efficiency improvements. Tacera reports give management and administrators the information they need to make informed decisions that optimize operations.