

ParagonCare

Appendix 4D

Name of Entity:	PARAGON CARE LIMITED
ABN:	76 064 551 426
Reporting Period:	Financial Half Year ended 31 Dec 2017
Previous corresponding Period:	Financial Half Year ended 31 Dec 2016

Results for Announcement to the Market

	Half Year End 31st Dec 2017	Half Year End 31st Dec 2016	Variance
	\$	\$	%
Revenue from continuing operations	52,523,831	54,988,220	(4%)
Other Revenue	521,929	48,118	985%
Profit after tax from continuing Operations	2,847,226	3,739,077	(24%)
Earning per share (cents)	1.72	2.29	(25%)
Net Tangible assets per share (cents)	(11.7)	(8.6)	N/A
* Weighted Average Number of issued shares	165,728,776	163,491,254	

ParagonCare

Dividends

Paragon Care Limited (“the Company”) has declared a fully franked interim dividend of 1.1 cents per ordinary share, which represents the same payout as last year. This will be paid on 12 April 2018 in respect of the financial half year ended 31 December 2017. The dividend will be paid to all shareholders on the register of members as at the Record Date of 16 March 2018.

A final dividend for the year ended 30 June 2017 of 1.9 cents per share fully franked was paid in October 2017 (full year dividend was 3.0 cents). The record date was 8 September 2017 with the payment date of 6 October 2017.

Dividend Reinvestment Plan

The Company operates a dividend reinvestment plan (DRP) that enables shareholders to elect to reinvest all, or up to a portion of, their dividends into additional shares in Paragon Care Limited. The DRP will be available for the final dividend. Shares will be issued at a discount of 2.5% to the volume weighted average market price of shares sold on the ASX over the 5 trading days immediately preceding the record date.

ParagonCare

Name of Entity: **PARAGON CARE LIMITED**

ABN: **76 064 551 426**

SUMMARY RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	31st Dec 2017	31st Dec 2016	Variance
	\$	\$	%
Revenue from continuing operations	52,523,831	54,988,220	(4%)
Cost of Sales	(32,034,002)	(33,661,234)	(5%)
Gross Profit	20,489,829	21,326,985	(4%)
Gross Profit Margin %	39%	39%	
Other Income	521,929	48,118	985%
Operating Expenses	(15,563,991)	(14,684,702)	6%
Earnings before interest, tax and depreciation (EBITDA)	5,447,767	6,690,401	(19%)
Depreciation and Amortisation	(732,967)	(507,234)	45%
Earnings before interest and tax (EBIT)	4,714,800	6,183,167	(24%)
Interest Expense	(814,392)	(849,219)	(4%)
Profit Before Tax	3,900,408	5,333,949	(27%)
Tax Expense	(1,053,182)	(1,594,871)	(34%)
Profit/loss after tax	2,847,226	3,739,077	(24%)

Consolidated Financial Statements

This report is based on the attached financial report which has been independently reviewed. The attached financial report is not subject to a qualified review statement.



**PARAGON CARE LIMITED
AND CONTROLLED ENTITIES**

ABN: 76 064 551 426

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017**

Paragon Care Limited
ABN: 76 064 551 426

Directors' Report

For the Half-Year Ended 31 December 2017

Your directors present their report on the consolidated entity consisting of Paragon Care Limited and the entities it controlled at the end of and during the half year ended 31 December 2017.

DIRECTORS

The names of the Directors of Paragon Care Limited ("Paragon Care" or "the Company") in office during the half year and until the date of this report are as below. The Directors were in office for the entire period unless otherwise stated.

Mr Shane Tanner (Non-Executive Chairman)
Mr Mark Simari (Managing Director – resigned 22 January 2018)
Mr Michael Rice (Alternate Director for Mr Mark Simari)
Mr Brett Cheong (Executive Director)
Mr Michael Newton (Non-Executive Director)
Mr Geoff Sam OAM (Non-Executive Director)

PRINCIPAL ACTIVITY

The principal continuing activity of the consolidated entity is the supply of durable medical equipment, devices and consumable medical products to hospitals, medical centres and aged care facilities.

Revenue and Earnings

The Company's revenue was \$52.5m for the six months ended 31 December 2017 (down 4.5% over the prior corresponding period). EBITDA for the half year was \$5.4m (down 19% over the prior corresponding period) and NPAT was \$2.8m (down 24% over the prior corresponding period). This result is in line with the Company's 1H18 revenue and earnings guidance provided on 27 December 2017.

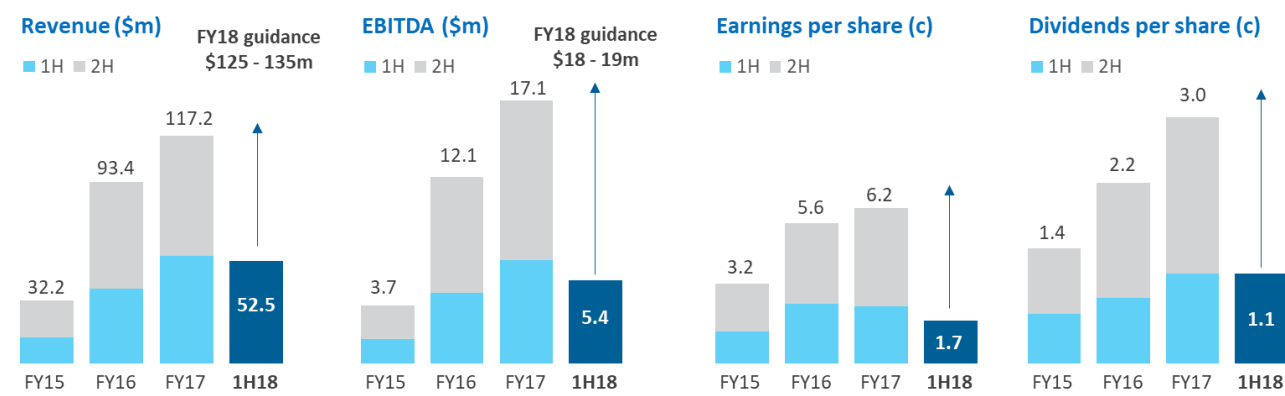
As advised at the Company's Annual General Meeting held on 22 November 2017 earnings for 1H18 have been impacted by greater seasonality in revenues (compared to 1H17) and one-off operating expenses, which led to a \$1.2m decline in EBITDA this half compared with the comparable period in 2017. The Company's gross profit margin of 39% remained unchanged, with lower revenues leading to a \$0.8m reduction in EBITDA. Operating expenses increased by \$1.1m as a result of:

- Increased investment into future growth – including investments into new Services & Technology businesses and the restructure of sales team to drive regional penetration; these investments were partially offset by wage decreases in other business units
- The establishment of a new South Australian warehouse and recruitment of new management team

The Company expects to deliver strong full year earnings, driven by organic growth initiatives and recent acquisitions with the second half of the financial year stronger than the first half, given particularly pronounced seasonality in revenues this financial year. The Company expects a strong slant to 2H18 given historical trends and the seasonal nature of hospital procurement.

Paragon maintains its FY18 revenue guidance of \$125m to \$135m, and EBITDA guidance of \$18m to \$19m. Paragon will provide a further earnings upgrade once it finalizes recent acquisitions.

Paragon Care Limited
ABN: 76 064 551 426



The fully franked dividend of 1.1 cents declared by the Company remains unchanged from the prior corresponding period.

Paragon Care continued to invest in its long-term strategy of consolidating all business activities into central distribution centres and expanding its geographic presence to drive synergies. Paragon Care expanded its national coverage in 1H18 via expanded presence in South Australia through a new warehouse complex in Wingfield, SA.

Paragon Care continues to provide significant earnings upside through a track record of successful acquisitions. Recent acquisitions of MedTek and Insight Surgical continue to extend the Group's product and service offering to customers, as well as increase its presence in Queensland and New South Wales.

The first half reported net operating cash outflow was \$3.1m. The factors impacting cash flows were an increased investment in new hires for the new Service & Technology business unit; restructuring of the sales team to drive growth; and increased inventory of \$4.9m to allow the Company to meet strong demand in the second half of the year. The Company expects operating cash flow will be stronger in the second half, as experienced in previous years.

The Company looks forward to delivering growth for the remainder of the financial year. The health care industry continues to provide a lucrative market within which the Company can achieve strong, continued growth in earnings and dividends.

Paragon Care Limited
ABN: 76 064 551 426

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of the Directors.



S.F. Tanner
Chairman
8 February 2018

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Paragon Care Limited for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'RSM'.**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink that reads 'P A Ransom'.

P A RANSOM
Partner

Dated: 8 February 2018
Melbourne, VIC

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2017

	31 Dec 17	31 Dec 16
Revenue	52,523,831	54,988,220
Cost of sales	(32,034,002)	(33,661,234)
Gross profit	<u>20,489,829</u>	<u>21,326,985</u>
Other revenue	521,929	48,118
Operating costs	(4,428,087)	(3,996,525)
Corporate costs	(253,906)	(119,118)
Finance costs	(831,028)	(849,219)
Selling and distribution	(614,158)	(717,233)
Employee and consultants costs (incl. directors fees and remuneration)	(10,984,171)	(10,359,060)
Profit/(loss) before tax	<u>3,900,408</u>	<u>5,333,949</u>
Income tax expense	(1,053,182)	(1,594,871)
Profit for the period	<u><u>2,847,226</u></u>	<u><u>3,739,077</u></u>
Other comprehensive income		
Gain (loss) on currency translation reserve	(34,749)	6,707
Gain (loss) on cash flow hedges	(76,352)	371,601
Other comprehensive income for the period, net of tax	<u>(111,101)</u>	<u>378,308</u>
Total comprehensive income for the period	<u><u>2,736,125</u></u>	<u><u>4,117,385</u></u>
Profit for the period attributable to:		
Owners of the parent	<u>2,847,226</u>	<u>3,739,077</u>
	<u><u>2,847,226</u></u>	<u><u>3,739,077</u></u>
Total comprehensive income for the period attributable to:		
Owners of the parent	<u>2,736,125</u>	<u>4,117,385</u>
	<u><u>2,736,125</u></u>	<u><u>4,117,385</u></u>
Earnings per share		
Basic (cents per share)	1.72	2.29
Diluted (cents per share)	1.72	2.29

Note: EPS calculated using the weighted average shares on issue during the period of 165,728,776 shares.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

Paragon Care Limited
ABN: 76 064 551 426

Condensed Consolidated Statement of Financial Position
As at 31 December 2017

	31-Dec 2017	30-Jun 2017
ASSETS		
Current assets		
Cash and cash equivalents	9,748,180	18,555,941
Trade and other receivables	16,271,141	20,777,567
Inventories	26,630,297	21,742,075
Income tax receivable	475,905	-
Total current assets	<u>53,125,523</u>	<u>61,075,584</u>
Non-current assets		
Plant and equipment	3,851,750	3,405,391
Deferred tax assets	2,064,098	2,221,240
Other Debtors	931,176	931,176
Intangibles	102,750,396	98,419,272
Total non-current assets	<u>109,597,420</u>	<u>104,977,079</u>
TOTAL ASSETS	<u>162,722,943</u>	<u>166,052,663</u>
LIABILITIES		
Current liabilities		
Trade and other payables	19,338,142	25,534,489
Vendor Conditional Payables	5,553,198	9,583,817
Interest bearing liability	8,716,634	8,498,825
Other financial liabilities	160,027	161,123
Provisions for Income Tax	-	555,736
Provisions	2,115,286	1,949,707
Total current liabilities	<u>35,883,287</u>	<u>46,283,697</u>
Non-current liabilities		
Other Payables	662,967	643,134
Vendor Conditional Payables	-	7,282,362
Interest bearing liability	42,440,219	28,568,954
Provisions	385,551	583,720
Total non-current liabilities	<u>43,488,737</u>	<u>37,078,170</u>
TOTAL LIABILITIES	<u>79,372,024</u>	<u>83,361,868</u>
NET ASSETS	<u>83,350,919</u>	<u>82,690,795</u>
Equity		
Contributed equity	75,416,800	74,347,530
Reserves	(265,825)	(154,724)
Accumulated Profit	8,199,944	8,497,989
TOTAL EQUITY	<u>83,350,919</u>	<u>82,690,795</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2017

	Share capital	Currency Translation Reserve	Currency Hedge Reserve	Accumulated losses	Total equity
As at 1 July 2016	70,636,055	38,871	(325,417)	2,420,726	72,770,234
Profit / (Loss) for half year	-	-	-	3,739,077	3,739,077
Gain / (loss) on cashflow hedge	-	-	371,601	-	371,601
Gain / (loss) on currency translation	-	6,707	-	-	6,707
Total comprehensive income for the half year	-	6,707	371,601	3,739,077	4,117,385
Dividends Paid	-	-	-	(2,286,932)	(2,286,932)
Issue of share capital net of transaction costs	3,408,518	-	-	-	3,408,518
As at 31 December 2016	74,044,573	45,578	46,184	3,872,871	78,009,206
As at 1 July 2017	74,347,530	50,028	(204,752)	8,497,989	82,690,795
Profit / (Loss) for half year	-	-	-	2,847,226	2,847,226
Gain / (loss) on cashflow hedge	-	-	(76,352)	-	(76,352)
Gain / (loss) on currency translation	-	(34,749)	-	-	(34,749)
Total comprehensive income for the half year	-	(34,749)	(76,352)	2,847,226	2,736,125
Dividends Paid	-	-	-	(3,145,271)	(3,145,271)
Issue of share capital net of transaction costs	1,069,270	-	-	-	1,069,270
As at 31 December 2017	75,416,800	15,279	(281,104)	8,199,944	83,350,919

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

Condensed Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2017

	31-Dec 2017	31-Dec 2016
Cash flows from operating activities		
Receipts from customers	57,681,365	56,382,149
Payments to suppliers and employees	(58,025,794)	(52,274,512)
Interest and other items of similar nature paid	(831,028)	(849,219)
Interest received	37,257	28,257
Income tax paid	(1,921,012)	(2,359,432)
Net cash provided by / (used in) operating activities	<u>(3,059,212)</u>	<u>927,244</u>
Cash flows from investing activities		
Payment for purchase of businesses, net of cash acquired	(14,881,492)	(2,853,347)
Payment for advance of loan	-	(500,000)
Payment for plant and equipment and intangible assets	(2,405,693)	(2,223,788)
Proceeds from sale of plant and equipment	-	42,905
Net cash provided by / (used in) investing activities	<u>(17,287,185)</u>	<u>(5,534,230)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	(11,537)
Net proceeds / (repayments) from borrowings	14,089,074	(828,263)
Dividends paid	(2,550,438)	(2,011,890)
Net cash provided by / (used in) financing activities	<u>11,538,636</u>	<u>(2,851,691)</u>
Net increase / (decrease) in cash and cash equivalents	(8,807,761)	(7,458,677)
Cash and cash equivalents at the beginning of the financial year	<u>18,555,941</u>	<u>19,116,930</u>
Cash and cash equivalents at the end of the financial period	<u>9,748,180</u>	<u>11,658,253</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

Paragon Care Limited
ABN: 76 064 551 426

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

Note 1 Summary of significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report for the year ended 30 June 2017.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017.

Note 2 Segment information

Management has determined the operating segments based on the reports reviewed by the board of directors. The board of directors considers the business from both a product and a geographic perspective and has determined the Group operates in only one reportable segment – Medical Equipment. The Medical Equipment segment provides durable medical products, devices and consumable medical products to the hospitals, medical centres and aged care facilities.

Note 3 Critical accounting estimate and assumptions

The Group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial years, are discussed below:

Impairment of goodwill

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

Note 3 Critical accounting estimate and assumptions (cont.)

Impairment of goodwill (cont.)

With respect to cash flow projections for the Group's businesses based in Australia, growth rates of 5.0% have been factored into valuation models for the next five years. This is on the basis of management's expectations of increased government expenditure in both the acute and aged care market sectors, much of which has already been publicly announced, and their belief in the Group's continued ability to capture a significant share of this expenditure. The rate used incorporate allowance for inflation.

Pre-tax discount rates of 11.0% have been used in the model. No impairment has been recognised in respect of goodwill at the end of the reporting period.

Note 4 Contingent liabilities

Since the last annual reporting date there has been no material change of any contingent liabilities or contingent assets.

Note 5 Subsequent events

The Company has declared an interim dividend of 1.1 cents per ordinary share, to be paid on 6 April 2018 in respect of the financial half year ended 31 December 2017. The dividend will be paid to all shareholders on the register of members as at the Record Date of 10th March 2018 and represents an unchanged amount on prior corresponding period.

On the 15 January 2018 the Company acquired Medtech Solutions, a medical engineering company servicing multi-modality equipment based in NSW. The acquisition consideration will be as follows:

- Total consideration \$2,554,600 comprising of \$2,554,600 cash.

The Company expects modest cash flow impact and earnings impact from this acquisition in FY18.

On the 25 January 2018, the Company announced the acquisition of Anaequip Medical, Paragon's medical distributor in South Australia. The acquisition consideration will be as follows:

- Total consideration \$2,300,000 comprising of \$1,840,000 cash and \$460,000 in Paragon Care shares.

No other matters or circumstances have arisen since the half year ended 31 December 2017 that significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

Note 6 Contributed Equity

Movements in ordinary share capital in the Company over the half year were as follows:

Date		Shares	\$
30 Jun 17	Balance	165,018,009	74,347,530
14 Aug 17	Issue of shares as part consideration for the Medtek acquisition at a price of \$0.9020 per share	55,432	50,000
14 Aug 17	Issue of shares for the earn out being as part consideration for the Western Biomedical acquisition at a price of \$0.9020 per share	470,488	424,380
06 Oct 17	Issue of shares pursuant to the company's dividend re-investment plan price of \$0.8870 per share	670,677	594,890
31 Dec 17	Closing balance	166,214,606	75,416,800

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

Note 7 Business Combinations

Summary of business combinations during the period:

	MEDTEK PTY LTD	INSIGHT SURGICAL PTY LTD	Total
	\$	\$	\$
Purchase consideration			
Purchase Consideration – cash	649,558	5,302,500	5,952,058
Purchase Consideration - contingent	-	785,680	785,680
Purchase Consideration - shares	50,000	-	50,000
	<u>699,558</u>	<u>6,088,180</u>	<u>6,787,738</u>
Fair value and carry value of net assets acquired			
Net Working Capital	207,886	1,044,276	1,252,162
Plant and Equipment	142,777	93,946	236,723
Employee Entitlements	(62,634)	(45,065)	(107,699)
Deferred Tax Asset	18,790	13,519	32,309
Goodwill on consolidation	392,739	4,981,504	5,374,243
	<u>699,558</u>	<u>6,088,180</u>	<u>6,787,738</u>
Reconciliation to cash flow			
Consideration of Purchase	699,558	6,088,180	6,787,738
Conditional Payment	-	(785,680)	(785,680)
Equity Funding	(50,000)	-	(50,000)
Net Outflow of cash	<u>649,558</u>	<u>5,302,500</u>	<u>5,952,058</u>

MEDTEK Pty Ltd

On 14 August 2017 the Company acquired 100% of the shares in MEDTEK Pty Ltd. MEDTEK focuses on the Far North Queensland region and specialises in providing high quality biomedical engineering services and preventative maintenance to the Medical, Scientific, Age Care and Allied Health clientele in the region.

With offices in Cairns and Townsville, this acquisition allows the Company to penetrate the region with direct representation, expand its service and maintenance offering and establish a gateway for the balance of its product portfolio.

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

Note 7 Business Combinations - continued

MEDTEK Pty Ltd (cont.)

\$

Purchase consideration

Purchase Consideration – cash	649,558
Ordinary shares in PGC 55,432 @ \$0.9020 per share	50,000
	<u>699,558</u>

Fair value and carry value of net assets acquired

Net Working Capital	207,886
Plant and Equipment	142,777
Employee Entitlements	(62,634)
Deferred Tax Asset	18,790
Goodwill on consolidation	392,739
	<u>699,558</u>

Reconciliation to cash flow

Consideration of Purchase	699,558
Equity Funding	(50,000)
Net Outflow of cash	<u>649,558</u>

Impact of acquisition on the results of the Group

The acquisition of Medtek Pty Ltd occurred on 14 August 2017 and the revenue and profit of the Group for the half year ended 31 December 2017 reflects trading for 14 August 2017 to 31 December 2017 of the acquired business.

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

Note 7 Business Combinations - continued

INSIGHT SURGICAL PTY LTD

On 22 December 2017 the Company acquired 100% of the shares in INSIGHT SURGICAL Pty Ltd. INSIGHT Surgical is a leading supplier ophthalmic products servicing customers Australia wide. Their extensive product range offers quality equipment from leading ophthalmic brands in Europe and USA as well as local manufacturers and own branded products.

	\$
Purchase consideration	
Cash and Cash Equivalents	5,302,500
Contingent Consideration (a)	<u>785,680</u>
	<u>6,088,180</u>
Fair value and carrying value of net assets acquired	
Net working capital	1,044,276
Plant and equipment	93,946
Employee Entitlements	(45,065)
Deferred Tax Asset	13,519
Goodwill on consolidation	<u>4,981,504</u>
	<u>6,088,180</u>
Reconciliation to cashflow	
Consideration of purchase	6,088,180
Conditional Payment	<u>(785,680)</u>
Net outflow of cash	<u>5,302,500</u>

(a) The vendors are entitled to a payment of 3.5 times the EBITDA growth on FY18. The payment is uncapped; its likely range is anticipated to be between \$0.5 million and \$1.5 million.

Impact of acquisition on the results of the Group

As the acquisition of Insight Surgical Pty Ltd occurred on 22 December 2017. There is no material impact on the historical performance of the Group for the half year.

Provisional amounts

The fair values of assets and liabilities acquired are presented as provisional amounts pending the completion of the fair valuation of assets acquired and forecasting of earnings for earn-out purposes during the measurement period of

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

Note 7 Business Combinations - continued

twelve months from the date of acquisition.

Business Combination Provisional Amounts Finalised

During the period, the provisional fair values of assets and liabilities acquired for Midas Software Solutions were re-assessed resulting in a reduction of goodwill in respect of this acquisition of \$2,514,844. This reduction reflected a reassessment of the conditional vendor payments.

Summary of business combinations finalised numbers from the prior period business combinations:

	MIDAS Software Solutions	Electro Medical Group	Total
	\$	\$	\$
Purchase consideration			
Purchase Consideration - cash	-	3,440,937	3,440,937
Purchase Consideration - contingent	1,974,860	2,792,658	4,767,518
Purchase Consideration - shares	1,904,459	740,553	2,645,012
	<u>3,879,319</u>	<u>6,974,148</u>	<u>10,853,467</u>
Fair value and carrying value of net assets acquired			
Net Working Capital	(30,000)	417,298	387,298
Plant and Equipment	5,000	173,542	178,542
Identifiable Intangible - Software	952,230	-	952,230
Employee Entitlements	(66,093)	(199,749)	(265,842)
Deferred Tax Asset	19,828	59,924	79,752
Goodwill on consolidation	2,998,354	6,523,133	9,521,487
	<u>3,879,319</u>	<u>6,974,148</u>	<u>10,853,467</u>
Reconciliation to cashflow			
Consideration of Purchase	3,879,319	6,974,148	10,853,467
Conditional Payment	(1,974,860)	(2,792,658)	(4,767,518)
Equity Funding	(1,904,459)	(740,553)	(2,645,012)
Net Outflow of cash	<u>-</u>	<u>3,440,937</u>	<u>3,440,937</u>

Paragon Care Limited
ABN: 76 064 551 426

Directors' Declaration
For the Half-Year Ended 31 December 2017

The Directors declare that:

1. The financial statements and notes set out on pages 9 to 19 are in accordance with the *Corporations Act 2001*, including;

(a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance, as represented by the results of its operations, and its cash flows, for the half-year ended on that date; and

2. There are reasonable grounds to believe that Paragon Care Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the directors.

A handwritten signature in blue ink, appearing to read 'S.F. Tanner', is positioned above the printed name and title.

S.F. Tanner
Chairman
8 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

PARAGON CARE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Paragon Care Limited which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paragon Care Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of Paragon Care Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

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

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



RSM AUSTRALIA PARTNERS



P A RANSOM

Partner

Dated: 8 February 2018
Melbourne, VIC