

Azure Healthcare Limited

Appendix 4E - Year End Financial Report

For the Year Ended 30 June 2018

Results for Announcement to the Market

Current Reporting Period - Year Ended 30 June 2018

Previous Reporting Period - Year Ended 30 June 2017

	%	30 June 2018	30 June 2017
	Change Up/(down)	\$'000	\$'000
Revenue from activities	0.1%	28,940	28,919
Foreign Exchange	(110.8%)	(24)	222
Other Income		31	47
Other Income - Sale of Asset		0	460
Interest income		1	3
Revenue excluding interest income	(2.4%)	28,947	29,648
Earnings before interest, tax, depreciation and amortisation (EBITDA)	269.9%	1,577	(928)
Depreciation and amortisation expenses	(49.3%)	(264)	(521)
Impairment of goodwill expense		-	(2,749)
Earnings before interest and tax (EBIT)	131.3%	1,313	(4,198)
Net interest expense		(59)	(108)
Profit/(loss) before income tax expense	129.1%	1,254	(4,306)
Income tax expense		(60)	(2,111)
Net Profit/(loss) after tax for the period attributable to members of Azure Healthcare Limited	118.6%	1,194	(6,417)
Other comprehensive income:			
Exchange difference arising on translation of foreign operations (movement in equity reserves)	139.1%	173	(443)
Total comprehensive income for the period attributable to members of Azure Healthcare Limited	119.9%	1,367	(6,860)
Net Tangible Asset per Security (cents per security)		3.78	3.53
Earnings/(losses) per share attributable to the ordinary equity holders of the company (cents per security):			
Continuing Operations (Basic and Diluted)		0.51	(3.02)
Overall Earnings per Share (Basic and Diluted)		0.51	(3.02)
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)			
		Not Applicable	
Dividends (distribution)		Amount per Security	Franked Amount per Security
Final dividend		n/a	n/a
Previous corresponding period		n/a	n/a
Explanation of the above information:			
Please refer to the Directors' Report - Review of Operations for further information on the Company operations over the past 12 months.			
The report is in the process of being audited.			



Appendix 4E Preliminary Final Report

For the Year Ended 30 June 2018
(previous corresponding period: Year Ended 30 June 2017)

To be read in conjunction with the 30 June 2017 Annual Report.
In compliance with Listing Rule 4.3A

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Directors' Report

The Directors of Azure Healthcare Limited are pleased to report the financial and operating results for the financial year ended 30 June 2018. The Company has now completed its first full financial year of profitability with a substantial turnaround from the previous year's operating results. Importantly, this turnaround has been completed through programs that will see sustainable and continued improved results for the future.

The Company is now well placed to advance its goals of evolving into a clinical workflow management software business as demonstrated through the implementation of its software licencing model and new software products such as Pulse RTLS and Mobile Apps. These products continue to create higher margin software and maintenance agreement revenues. (2017: 6.1% of revenue, 2018: 10.9% of revenue)

A profitable financial year

The Company is pleased to report its third consecutive profitable half and its first full year of profit since 2015 with Net Profit After Tax (NPAT) of \$1.19 million for FY2018 and cash on hand of \$2.3 million.

New projects and new customers

During the 2018 financial year, the Company announced exciting new project wins in North America as well as an important strategic partnership agreement with Magnet Group, an American Group Purchasing Organisation with approximately 9,000 members. The Tacera Pulse software suite has been widely received and accepted as the 'Gold Standard' in global Nurse Call systems and represents an important milestone in the Company's development of next generation clinical business intelligence solutions. The Company continues to demonstrate significant time saving features and workflow efficiencies through its new product range, continuing to gain momentum within the healthcare industry whilst winning new projects and widening customer and reseller support. Azure products can now be found in over 4,500 healthcare sites around the world.

Financials

Revenue from ordinary activities was \$28.94 million versus \$28.92 million in 2017. Importantly, the mix of this revenue altered with 10.9% of 2018 revenue derived from ongoing software and maintenance agreements compared to 6.1% for the previous corresponding period. Second half revenues were \$14.71 million and grew by 3.4% over the first half revenue of \$14.23 million.

- 🔗 Gross profit increased 2.5% and was 48.8% compared to 46.3% for the previous corresponding period.
- 🔗 Net profit after tax (NPAT) was \$1.19 million compared to a net loss after tax of (\$6.42) million for the previous corresponding period.
- 🔗 Net earnings before interest, tax, depreciation and amortisation, (EBITDA) were \$1.58 million compared to an EBITDA loss of (\$0.93) million for the previous corresponding period.
- 🔗 Earnings before interest and tax (EBIT) were \$1.31 million compared to an EBIT loss of (\$4.20) million for the previous corresponding period.
- 🔗 Earnings Per share (EPS) were 0.51 positive compared to negative (3.02) for the 2017 financial year.
- 🔗 Net Tangible Assets (NTA) were 3.78 cents per share compared to 3.53 cents per share in the previous corresponding period.

The directors have not declared a final dividend, as the Company will continue to focus on growth initiatives, production expansion, R&D investment and Group debt reduction.

Overhead expenses decreased by \$2.65 million or 17.1% over the prior corresponding period largely due to management cost saving initiatives totalling \$1.91 million and partially due to capitalisation of development expenses of \$0.74 million. Our Research & Development investment expenditure increased from \$3.1 million in 2017 to \$3.4 million in the 2018 financial year.

With respect to capitalisation of research and development, after 12 months of continued profitability the Company determined that it was appropriate to reintroduce its previous policy of capitalising a portion of its development expenditure effective from 1 January 2018. For the 6 months ended 30 June 2018 the Company capitalised \$0.74 million (excluding \$0.03 million in foreign exchange) on four development projects.

Cashflow

During the year, the Company generated positive operating cashflow of \$2.03 million compared to negative operating cashflow of \$2.55 million in the previous corresponding period. Cash at bank as at year end was \$2.31 million. Group inventory decreased by \$3.2 million from \$9.3 million to \$6.1 million.

Directors' Report (continued)

The following summary table highlights the comparative performance results for the last 2 financial years:

Comparative to previous corresponding 12 months			
	12 months ended 30 June 2018 \$'000	12 months ended 30 June 2017 \$'000	Variance \$'000
Revenue from activities	28,940	28,919	21
EBIT	1,313	(4,198)	5,511
EBITDA	1,577	(928)	2,505
Overhead Expenses (Excluding Impairments)	12,880	15,534	(2,654)
Profit/(Loss) After Income Tax	1,194	(6,417)	7,611

The future

In 2019 we will focus on the following key objectives and initiatives to improve our business:

- 🔗 continue our focus on quality new products that will differentiate us from our competitors
- 🔗 increase manufacturing efficiencies and sales initiatives to maximise sales opportunities
- 🔗 continue to grow recurring revenues based on our subscription based pricing model
- 🔗 build further strategic partnerships with market-leading healthcare technology companies

The 2018 financial year has been a year of consolidation at Azure where we have unveiled new products, bedded down our manufacturing, streamlined operations and reset product and distribution. We firmly believe that all of these initiatives will prove to be successful foundations for future growth in the near and longer term.

On behalf of the Board of Directors and Executive Management team, I would like to thank our dedicated and passionate staff who have delivered extraordinary products and services to the benefit of our customers and the amazing work they do in the healthcare field.

Finally, I would also like to thank you, our shareholders, for your trust and investment in our Company. We look forward to sharing our future successes with you.

Yours faithfully



Clayton Astles

Chief Executive Officer & Executive Director

Dated this 29th day of August 2018, Melbourne

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2018

	Note	Consolidated Entity 30 June 2018 \$'000	30 June 2017 \$'000
Revenue from Continuing Operations		28,940	28,919
Other Income		31	47
Foreign Exchange		(24)	222
Interest Income		1	3
Total Revenue from Ordinary Activities		28,948	29,191
Cost of Goods Sold		(14,814)	(15,674)
Gross Profit		14,134	13,517
Other Income - Sale of Asset		-	460
Employee Benefits Expense		(8,703)	(10,137)
Motor Vehicle Expenses		(147)	(194)
Occupancy Expenses		(589)	(731)
Depreciation and Amortisation Expenses		(264)	(521)
Accounting, Audit and Legal Fees		(914)	(1,266)
Finance Costs		(59)	(108)
Travel Expenses		(853)	(767)
Other Expenses		(1,351)	(1,810)
Non-operating Impairment Expense		-	(2,749)
Total Overhead Expenses		(12,880)	(18,283)
Profit Before Income Tax		1,254	(4,306)
Income Tax Expense		(60)	(2,111)
Net Profit after tax		1,194	(6,417)
Net Profit attributable to members of Azure Healthcare Limited		1,194	(6,417)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss		-	-
Exchange Differences on Translation of Foreign Operations		173	(443)
Total Comprehensive Income for the Year		1,367	(6,860)
		Cents	Cents
Earnings per Share:			
Basic earnings/(loss) per share		0.51	(3.02)
Diluted earnings/(loss) per share		0.51	(3.02)

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 \$'000	Consolidated Entity 30 June 2017 \$'000
Current Assets			
Cash and Cash Equivalents		2,307	1,717
Trade and Other Receivables		6,159	4,986
Inventories		6,050	9,257
Other Assets		975	775
Total Current Assets		15,491	16,735
Non-Current Assets			
Plant and Equipment		526	564
Deferred Tax Assets		55	53
Intangible Assets		742	-
Total Non-Current Assets		1,323	617
Total Assets		16,814	17,352
Current Liabilities			
Trade and Other Payables		6,085	7,202
Short Term Borrowings		641	1,128
Current Tax Liabilities		46	29
Provisions		423	688
Total Current Liabilities		7,195	9,047
Non-Current Liabilities			
Long Term Borrowings		14	22
Provisions		23	20
Total Non-Current Liabilities		37	42
Total Liabilities		7,232	9,089
Net Assets		9,582	8,263
Equity			
Contributed Equity		38,076	38,076
Option Reserves		-	48
Foreign Exchange Reserve		(696)	(869)
Accumulated Losses		(27,798)	(28,992)
Total Equity		9,582	8,263

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

	Consolidated Entity				
	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Option Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	35,123	(22,575)	(426)	48	12,170
(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	-	(6,417)	(443)	-	(6,860)
Issue of Shares	2,953	-	-		2,953
Balance at 30 June 2017	38,076	(28,992)	(869)	48	8,263
Balance at 1 July 2017	38,076	(28,992)	(869)	48	8,263
Profit after income tax expense for the year	-	1,194	-	-	1,194
Other comprehensive income for the year, net of tax	-		173	-	173
Total comprehensive income for the year	-	1,194	173	-	1,367
Transactions with equity holders in their capacity as equity holders:					
Issue of shares	-	-	-	-	-
Transfer to/from reserves				(48)	(48)
Balance at 30 June 2018	38,076	(27,798)	(696)	-	9,582

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	30 June 2018 \$'000	Consolidated Entity 30 June 2017 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		27,796	29,645
Payments to Suppliers and Employees		(25,705)	(32,040)
Interest Received		1	3
Borrowing Costs		(59)	(108)
Income Tax Paid		(2)	(52)
Net Cash From Operating Activities		2,031	(2,552)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payments for Acquisition of Property, Plant, Equipment & Intangible Assets		(889)	(120)
Proceeds from Disposal of Property, Plant and Equipment		9	27
Proceeds from Sale of Assets		-	665
Net Cash Provided by/(Used in) Investing Activities		(880)	572
Net Cash Used in Operating and Investing Activities		1,151	(1,980)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from Issue of Shares		-	3,010
Repayment of Borrowings		(495)	(939)
Payment of Lease and Hire Purchase Liabilities		-	(7)
Net Cash Provided by/(Used in) Financing Activities		(495)	2,064
Net Increase in Cash Held		656	84
Cash and Cash Equivalents at Beginning of Year		1,717	1,685
Effects of Exchange Rate Changes in Cash		(66)	(52)
Cash and Cash Equivalents at End of Year		2,307	1,717

Notes to the Consolidated Financial Statements

Note 1. Basis of Preparation

This preliminary financial report covers the consolidated entity consisting of Azure Healthcare Limited and its controlled entities. Azure Healthcare Limited is a listed public company, incorporated and domiciled in Australia. The nature of the operations and principal activities of the consolidated entity are described within Note 4.

(a) Basis of Preparation

This preliminary financial report is intended to provide users with an update on the latest annual financial statements of Azure Healthcare Limited and its controlled entity (the Group). The financial results for the years ended 30 June 2018 and 30 June 2017 have been prepared in accordance with Australian Accounting Standards. It is recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the year.

(b) Financial Assets and Liabilities

Financial assets and liabilities of the Group are recognised in the statement of financial position at their fair values in accordance with accounting policies set out in the 30 June 2018 financial report. In all instances the fair value of financial assets and financial liabilities approximates to their carrying value.

(c) Summary of the Significant Accounting Policies

The consolidated 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.

Note 2. Dividends

The Company resolved not to declare any dividends in the period ended 30 June 2018.

Note 3. Capitalisation of research & development

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's analysis that technological and economic feasibility is confirmed once a product development project has reached defined milestones according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, product life cycle and expected period of benefits. At 30 June 2018, the carrying amount of capitalised development costs was \$741,676. (2017: nil)

Note 4. Segment Information

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. The group is organised into one major operating division, healthcare, which has four geographic segments. These segments are the basis on which the Group reports its segment information.

Healthcare

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

Notes to the Consolidated Financial Statements

(continued)

Note 4. Segment Information (continued)

	-----Healthcare-----					Eliminations		
	Austco Australia / NZ	Austco Asia	Austco Europe	Austco North America	Total	Inter company	Corporate	Group Total
	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
30 June 2018								
Revenue - external	10,773	3,568	2,268	12,338	28,947	-	-	28,947
Revenue - intersegment	325	5	1	5,634	5,965	(5,965)	-	-
Interest Revenue	53	0	0	-	53	(52)	-	1
Total Revenue	11,151	3,573	2,269	17,972	34,965	(6,017)	-	28,948
EBITDA	2,482	(165)	310	(1,432)	1,195	589	(207)	1,577
Depreciation	(56)	(17)	(20)	(159)	(252)	-	-	(252)
Amortisation	-	-	-	(12)	(12)	-	-	(12)
EBIT	2,426	(182)	290	(1,603)	931	589	(207)	1,313
Interest	-	-	-	(52)	(52)	51	(58)	(59)
Income Tax	(0)	-	(58)	(2)	(60)	-	-	(60)
NPAT	2,426	(182)	232	(1,657)	819	640	(265)	1,194
30 June 2017								
Revenue - external	12,103	4,854	2,335	10,356	29,648	-	-	29,648
Revenue - intersegment	3,410	33	1	9,942	13,386	(13,386)	-	-
Interest Revenue	54	0	0	-	54	(52)	1	3
Total Revenue	15,567	4,887	2,336	20,298	43,088	(13,438)	1	29,651
EBITDA	(77)	(88)	388	(667)	(444)	(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	(11)	(1)	-	(53)	(65)	50	(93)	(108)
Income Tax	(2,056)	(2)	(53)	-	(2,111)	-	-	(2,111)
NPAT	(2,469)	(116)	321	(877)	(3,141)	(643)	(2,633)	(6,417)
Segment Assets								
30/6/17	20,744	2,074	1,251	12,007	36,076	(28,551)	9,827	17,352
30/6/18	22,215	1,762	1,345	10,060	35,382	(27,591)	9,023	16,814
Segment Liabilities								
30/6/17	6,963	1,613	494	18,228	27,297	(19,323)	1,115	9,089
30/6/18	5,585	1,464	509	18,127	25,684	(19,074)	622	7,232

Notes to the Consolidated Financial Statements

(continued)

Note 4. Segment Information (continued)

The Board assesses the performance of the operating segment based on a measure of NPAT. This measurement basis excludes the effects of non-recurring expenditure from the operating segment such as depreciation, amortisation and net interest and impairment to non current assets which is disclosed separately.

Results of Segment

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

Inter-segment pricing

Segment revenues, expenses and results 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 5. Net Tangible Assets

	30 June 2018	30 June 2017
	\$'000	\$'000
Net Tangible Assets	8,785	8,210
Closing Shares	No.	No.
	232,712,827	232,712,827
	Cents	Cents
Net Tangible Assets (cents)	3.78	3.53