Appendix 4D

Name of Entity:	**PARAGON CARE LIMITED**
ABN:	**76 064 551 426**
Reporting Period:	**Financial Half Year ended 31 December 2018**
Previous corresponding Period:	**Financial Half Year ended 31 December 2017**

Result for Announcement to the Market
As at 31 December 2018

	Half Year End 31-Dec-2018	Half Year End 31-Dec-2017	Variance
	$	$	%
Revenue	130,038,401	52,523,831	148%
Other Revenue	454,202	521,929	(13%)
Profit after tax before impairment of goodwill	1,044,522	2,847,226	(63%)
Impairment of goodwill for Discontinuing Operations	(5,200,000)	-	-
Profit / (Loss) after tax from Operations	(4,155,478)	2,847,226	(246%)
Profit / (Loss) after tax from Continuing Operations	5,125,431	4,850,014	6%
Profit / (Loss) after tax from Discontinuing Operations	(9,280,909)	(2,002,788)	363%
Earning per share (cents) for Continuing Operations	1.68	2.93	(43%)
Earning per share (cents) for Discontinuing Operations	(3.04)	(1.21)	151%
Net Tangible assets per share (cents) Continuing Operations	(0.59)	(11.7)	N/A
* Weighted Average Number of issued shares	305,516,566	165,728,776	

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 26 April 2019 in respect of the financial half year ended 31 December 2018. The dividend will be paid to all shareholders on the register of members as at the Record Date of 22 March 2019.

A final dividend for the year ended 30 June 2018 of 2 cents per share fully franked was paid in October 2018. The record date was 8 September 2018 with the payment date of 6 October 2018.

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. 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.

Name of Entity: **PARAGON CARE LIMITED**

ABN: **76 064 551 426**

Summary Result for the Half Year

As at 31 December 2018

	31-Dec-18 $	31-Dec-17 $	Variance %
Revenue from Continuing Operations	**119,368,120**	**44,878,151**	166%
Cost of Sales	(73,800,101)	(26,461,844)	179%
Gross Profit from Continuing Operations	**45,568,019**	**18,416,308**	147%
Gross Profit Margin %	38%	41%	
Other Income	471,173	521,624	(10%)
Operating Expenses	(31,465,932)	(10,876,136)	189%
Earnings before interest, tax and depreciation (EBITDA)	**14,573,261**	**8,061,796**	81%
Depreciation and Amortisation	(3,944,743)	(485,870)	712%
Earnings before interest and tax (EBIT)	**10,628,517**	**7,575,926**	40%
Interest Expense	(3,110,141)	(814,392)	282%
Profit Before Tax from Continuing Operations	**7,518,376**	**6,761,534**	11%
Tax Expense for Continuing Operations	(2,392,946)	(1,911,520)	25%
Profit / (Loss) after tax for Continuing Operations	**5,125,430**	**4,850,014**	6%
Profit / (Loss) Before Tax for Discontinuing Operations	(11,029,870)	(2,861,125)	286%
Tax Expense for Discontinuing Operations	1,748,961	858,338	104%
Profit / (Loss) after tax for Discontinuing Operations	**(9,280,909)**	**(2,002,788)**	286%
Consolidated Profit / (Loss) for Operations	**(4,155,478)**	**2,847,226**	(246%)

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 2018

Paragon Care Limited
ABN: 76 064 551 426

Directors' Report
For the Half-Year Ended 31 December 2018

The Paragon Care Board of Directors present this report on the consolidated entity consisting of Paragon Care Limited and the entities it controlled during and at the end of the half year ended 31 December 2018.

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. Andrew Just (Managing Director)
Mr. Michael Newton (Non-Executive Director)
Mr. Geoff Sam OAM (Non-Executive Director)
Mr. Brent Stewart (Non-Executive Director)

PRINCIPAL ACTIVITY

The principal continuing activity of the consolidated entity is the supply of medical equipment and consumables for the Diagnostic, Capital and Consumables, Specialty Devices, Eye care and Service and Technology markets of the health care industry.

Revenue and Earnings

The Company's revenue was $130.0m for the six months ended 31 December 2018 (up 148% over the prior corresponding period). EBITDA for the half year was $9.5m (up 73% over the prior corresponding period) and NPAT was $4.2m loss (down 246% over the prior corresponding period). This result is reflective of both continuing and discontinuing operations.

Earnings for 1H19 have been impacted by greater costs from legacy businesses (compared to 1H18) and non-recurring costs associated with integration, together with a provision for impairment of goodwill of the discontinuing operations of $5.2m, which led to a $7.0m decline in NPAT this half compared with the comparable period in 2018. The Company's gross profit margin of 38% remains stable which contributed to $5.8m increase in EBITDA.

Operating expenses increased by $21.3m as a result of:

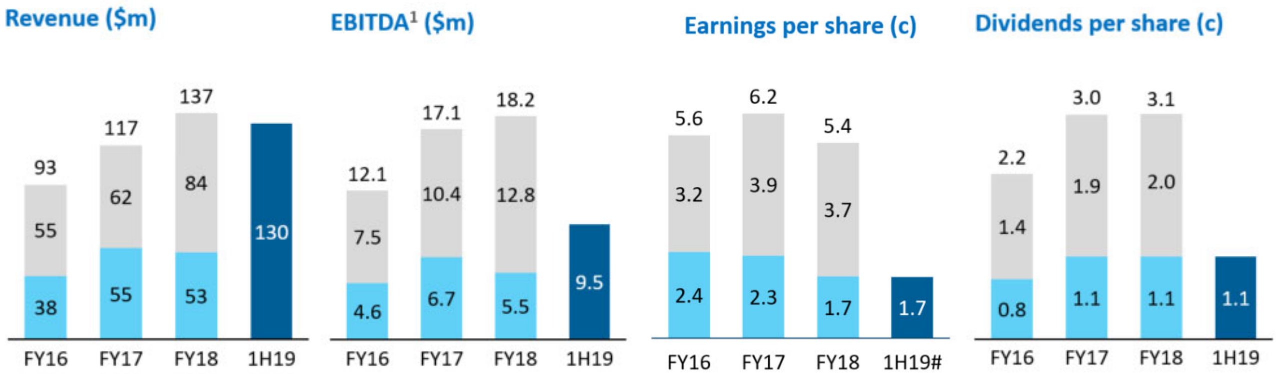
- Acquisitions of multiple businesses through the course of 2018.
- Strategic headcount improvement to reduce future operating expenses.
- Investment into products, quality control procedures and new service markets.

An early adoption of AASB16 Leases which provided a re-classification of Rental Expense and its respective Commercial Lease contractual terms and its values to be treated as Assets and Liabilities.

On the 29 November 2018, the Company announced an impending strategic review of the traditional Capital and Consumable business as part of the group wide transformation program.

On the 12 February 2019, the Company advised that the continuing business had developed strong organic growth, stabilised gross profit margins, and was pursuing an improvement in Operating Expenses and efficiencies in reporting through a single IT ERP platform across the multiple businesses.

The Company has provided a 4 year overview of its performance:



reflects continuing business

The Company advised that it would provide an overview of its operational structure within the 4 market pillars supporting the continuing business. These are reflected below

1H19 ($m)	Diagnostics	Capital & Consumables	Devices	Service & Technology	Non-core business	Total
Revenue	$11.76	$63.15	$37.24	$7.22	$10.67	$130.04
Gross Margin	39%	30%	46%	70%	36%	38%
YOY Sales Growth	100%	240%	245%	212%	139%	248%

Despite the decision to divest the traditional Capital and Consumable Operation in the second half of FY19, the Company expects to deliver strong full year earnings for the continuing operations, with healthy organic revenue growth, improved margins and working capital, and the establishment of a Single IT ERP Solution, which will provide future cost savings into FY20 and beyond.

The Company and its Directors are pleased to announce a fully franked dividend of 1.1 cents which remains unchanged from the prior corresponding period in 1H18.

Paragon Care continued to invest in its long-term strategy of consolidating operational business activities and investing in sales and marketing synergies. Paragon Care harmonised its Eye Care businesses in 1H19 via sales team integration, driving double digit sales growth through the new “Go To Market” model.

Paragon Care continues to provide significant earnings upside via an outlook of our fixed cost base consolidation as we implement a single IT platform and harness synergies across the group. Recent acquisitions also bolster the profile of recurring revenue streams, removing the previous seasonality from the business.

The first half saw a positive operating cash flow in an expanding business environment. The factors impacting cash flows were higher recurring revenues, increased inventories to meet customer demands, and increased investment into the Company’s long-term growth, including: acquisition of multiple businesses during the period; investment into new hires for customer facing roles; restructuring of the sales team to drive growth. 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

Summary Result for the Half Year

As at 31 December 2018

	31-Dec-18 Continuing Operation $	31-Dec-18 Discontinuing Operation $	31-Dec-18 Total Company $
Revenue	**119,368,120**	**10,670,281**	**130,038,401**
Cost of Sales	(73,800,101)	(6,796,185)	(80,596,286)
Gross Profit	**45,568,019**	**3,874,095**	**49,442,114**
Gross Profit Margin %	38%	36%	38%
Other Income	471,174	(16,971)	454,203
Operating Expenses	(31,465,932)	(8,893,139)	(40,359,071)
Earnings before interest, tax and depreciation (EBITDA)	**14,573,261**	**(5,036,015)**	**9,537,246**
Depreciation and Amortisation	(3,944,743)	(5,936,137)	(9,880,880)
Earnings before interest and tax (EBIT)	**10,628,518**	**(10,972,152)**	**(343,634)**
Interest Expense	(3,110,141)	(57,718)	(3,167,859)
Profit / (Loss) Before Tax from Operations	**7,518,377**	**(11,029,870)**	**(3,511,493)**
Tax Expense	(2,392,946)	1,748,961	(643,985)
Profit / (Loss) after tax	**5,125,431**	**(9,280,909)**	**(4,155,478)**

	31-Dec-18 Continuing Operation $	31-Dec-18 Discontinuing Operation $
ASSETS		
Total Current Assets	136,892,851	26,431,486
Total Non-Current Assets	243,996,033	-
TOTAL ASSETS	**380,888,884**	**26,431,486**
LIABILITIES		
Total Current Liabilities	73,666,893	**875,814**
Total Non-Current Liabilities	126,148,117	-
TOTAL LIABILITIES	**199,815,010**	**875,814**
NET ASSETS	**181,073,874**	**25,555,672**

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 5.

Signed in accordance with a resolution of the Directors.

S.F. Tanner
Chairman
27 February 2019

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 2018, 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.

RSM

RSM AUSTRALIA PARTNERS

Philip A Ransom

P A RANSOM
Partner

Dated: 27 February 2019
Melbourne, Victoria

Paragon Care Limited
ABN: 76 064 551 426

Consolidated Statement of
Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2018

	31-Dec-18	31-Dec-17
	$	$
Continuing Operations		
Revenue	119,368,120	44,878,151
Cost of sales	(73,800,101)	(26,461,844)
Gross profit	45,568,019	18,416,307
Other revenue	471,173	521,625
Operating costs	(10,276,066)	(3,101,203)
Corporate costs	(1,015,645)	(253,906)
Finance costs	(3,121,990)	(831,028)
Selling and distribution	(2,361,512)	(331,661)
Employee and consultants costs (incl. directors fees and remuneration)	(21,745,602)	(7,591,245)
Profit/(Loss) before tax	7,518,377	6,828,889
Income tax expense	(2,392,946)	(1,978,874)
Profit from Continuing Operations	5,125,431	4,850,014
Loss from Discontinuing Operations	(9,280,909)	(2,002,788)
Profit / (Loss) for the year	(4,155,478)	2,847,226
Other comprehensive income		
Gain (loss) on currency translation reserve	1,068,585	(34,749)
Gain (loss) on cash flow hedges	(349,457)	(76,352)
Other comprehensive Income / (Loss) for the period, net of tax	**719,128**	**(111,101)**
Total comprehensive Income / (Loss) for the period	(3,436,350)	2,736,125
Profit for the period attributable to:		
Owners of the parent	(4,155,478)	2,847,226
	(4,155,478)	2,847,226
Total comprehensive income for the period attributable to Owner of the Parent:		
Continuing Operations	5,844,559	4,738,913
Discontinuing Operations	(9,280,909)	(2,002,788)
	(3,436,350)	2,736,125

Earnings per share	**31-Dec-18**	**31-Dec-17**
Basic (cents per share)		
Earnings from Continuing Operations	1.67	2.93
Loss from Discontinuing Operations	(3.04)	(1.21)
Total	**(1.37)**	**1.72**
Diluted (cents per share)		
Earnings from Continuing Operations	1.67	2.93
Loss from Discontinuing Operations	(3.04)	(1.21)
Total	**(1.37)**	**1.72**

Note: EPS calculated using the weighted average shares on issue during the period of 305,516,566 shares.

The above Statement of Profit or Loss and Other 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

Consolidated Statement of Financial Position
as at 31 December 2018

	31-Dec-18	30-Jun-18
ASSETS	**$**	**$**
Current assets		
Cash and Cash equivalents	44,018,383	40,391,579
Inventories	46,813,102	55,301,467
Trade and other receivables	41,879,235	45,287,234
Other financial assets	816,292	1,336,858
Current tax receivable	3,365,839	-
Assets classified as held for sale	26,431,486	-
Total Current Assets	**163,324,337**	**142,317,138**
Non-Current Assets		
Plant and equipment	36,225,870	12,172,651
Deferred tax assets	3,897,832	3,702,846
Other debtors	538,686	1,424,676
Intangibles	203,333,645	190,130,966
Total Non-Current Assets	**243,996,033**	**207,431,139**
TOTAL ASSETS	**407,320,370**	**349,748,277**
LIABILITIES		
Current liabilities		
Trade and other payables	57,072,294	58,499,209
Vendor conditional payables	1,162,777	1,201,348
Interest bearing liability	11,548,349	10,742,877
Provisions for income tax	-	766,840
Provisions	3,883,473	4,514,277
Liabilities classified as held for sale	875,814	-
Total Current Liabilities	**74,542,707**	**75,724,551**
Non-Current Liabilities		
Other payables	22,921,407	1,457,454
Vendor conditional payables	10,265,765	8,093,298
Interest bearing liability	92,365,793	94,073,848
Provisions	595,152	256,814
Total Non-Current Liabilities	**126,148,117**	**103,881,414**
TOTAL LIABILITIES	**200,690,824**	**179,605,965**
NET ASSETS	**206,629,546**	**170,142,312**
Equity		
Contributed equity	202,227,036	156,930,216
Reserves	618,283	(100,843)
Accumulated profit	3,784,227	13,312,939
TOTAL EQUITY	**206,629,546**	**170,142,312**

The above Statement of Financial Position 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

Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2018

	Share capital	Currency Translation Reserve	Currency Hedge Reserve	Accumulated losses	Total equity
	$	**$**	**$**	**$**	**$**
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**
As at 1 January 2018	75,416,800	15,279	(281,104)	8,199,944	83,350,919
Profit / (Loss) for half year	-	-	-	8,103,331	8,103,331
Gain / (loss) on cashflow hedge	-	-	921,440	-	921,440
Gain / (loss) on currency translation	-	(756,458)	-	8,103,331	7,346,873
Total comprehensive income for the half year	-	**(756,458)**	**921,440**	**8,103,331**	**8,268,313**
Dividends Paid	-	-	-	(2,990,333)	(2,990,333)
Issue of share capital net of transaction costs	81,513,416	-	-	-	81,513,416
As at 30 June 2018	**156,930,216**	**(741,179)**	**640,336**	**13,312,942**	**170,142,315**
As at 1 July 2018	**156,930,216**	**(741,179)**	**640,336**	**13,312,942**	**170,142,315**
Adjustment for change in accounting policy	-	-	-	671,514	671,514
Balance at 1 July 2018 restated	-	-	-	13,984,456	170,813,829
Profit / (Loss) for half year	-	-	-	(4,155,478)	(4,155,478)
Gain / (Loss) on cashflow hedge	-	-	(349,457)	-	(349,457)
Gain / (Loss) on currency translation	-	1,068,583	-	-	1,068,583
Total comprehensive income for the half year	-	**1,068,583**	**290,879**	**9,828,978**	(3,436,353)
Dividends Paid	-	-	-	(6,044,751)	(6,044,751)
Issue of share capital net of transaction costs	45,296,820	-	-	-	45,296,820
As at 31 December 2018	**202,227,036**	**327,404**	**290,879**	**3,784,227**	**206,629,546**

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.

Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2018

	31-Dec-18	31-Dec-17
Cash flows from Operating Activities	**$**	**$**
Receipts from customers	138,394,609	57,681,365
Payments to suppliers and employees	(131,012,172)	(58,025,794)
Interest and other items of similar nature paid	(2,486,755)	(831,028)
Interest received	-	37,257
Income tax paid	(4,850,892)	(1,921,012)
Net cash provided by / (used in) operating activities	44,789	(3,059,212)
Cash flows from Investing Activities		
Payment for purchase of business, net of cash acquired	(29,468,034)	(14,881,492)
Payment for plant and equipment and intangible assets	(2,706,366)	-
Proceeds from sale of plant and equipment	-	(2,405,693)
Payment for intangible assets	(2,594,067)	-
Net cash provided by / (used in) investing activities	(34,768,467)	(17,287,185)
Cash flows from Financing Activities		
Proceeds from issue of shares	47,477,019	-
Proceeds from borrowings	(902,583)	14,089,074
Dividends paid	(5,324,068)	(2,550,438)
Share issue expenses	(2,899,886)	-
Net cash provided by / (used in) financing activities	38,350,482	11,538,636
Net increase / (decrease) in cash and cash equivalents	3,626,804	(8,807,761)
Cash and cash equivalents at the beginning of the financial year	40,391,579	18,555,941
Cash and cash equivalents at the end of the financial period	44,018,383	9,748,180

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

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2018

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 2018.

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 2018 annual financial report for the financial year ended 30 June 2018, with the exception of the adoption of the new accounting standards, refer to below.

New or amended Accounting Standards and interpretations adopted

The consolidated entity has early adopted new Accounting Standards AASB16, which replaces AASB117. No other new or amended Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

The Company previously classified operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under AASB16, the Company recognize right-of-use assets and liabilities for most leases on Balance Sheet.

The Company applies the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

The Company applied AASB16 using the modified retrospective approach and therefore the comparative information has not been restated. For the purposes of applying the modified retrospective approach to the leases, the Company elects to measure the right-of-use assets as if it applied AASB16 since the commencement of the reporting period using its incremental borrowing rate at the date of initial application.

Ongoing lease payments are split between depreciation and interest expenses. Interest expenses on the lease liability is a component of financial costs, which is presented in Profit and Loss and Other Comprehensive Income.

Paragon Care Limited
ABN: 76 064 551 426

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2018 - continued

The below are summaries of the impact of changes on the Financial Report in respect of AASB 16:

31-Dec-18	**Impact of changes in accounting policies**		
	As previously reported	**Adjustments**	**As restated**
Revenue	$130,038,401		$130,038,401
Cost of sales	-$80,596,286		-$80,596,286
Other Income	$454,243		$454,243
Operating expenses	-$42,596,500	$2,237,429	-$40,359,071
EBITDA	**$7,299,858**	**$2,237,429**	**$9,537,287**
Depreciation & Amortisation	-$7,755,337	-$2,125,543	-$9,880,880
EBIT	**-$455,479**	**$111,886**	**-$343,593**
Interest Expenses	-$2,486,754	-$681,105	-$3,167,859
Profit Before Tax	**-$2,942,233**	**-$569,219**	**-$3,511,452**

31-Dec-18	**Impact of changes in accounting policies**		
	As previously reported	**Adjustments**	**As restated**
ASSETS			
Current assets	$159,142,205		$159,142,205
Non-current assets	$218,420,051	$25,575,981	$243,996,032
TOTAL ASSETS	**$377,562,256**	**$25,575,981**	**$403,138,237**
LIABILITIES			
Current liabilities	$67,133,939	$3,226,636	$70,360,575
Non-current liabilities	$103,229,553	$22,918,564	$126,148,117
TOTAL LIABILITIES	**$170,363,492**	**$26,145,200**	**$196,508,692**
NET ASSETS	**$207,198,764**	**-$569,219**	**$206,629,545**

The impact of applying AASB16 as of 1 July 2018 is as follows:

1. Increase in right of use assets of $27,701,524
2. Increase in lease liability of $27,701,524
3. Increase to opening retained earnings of $671,514

AASB 9 Financial Instruments

The consolidated entity has assessed the requirement of AASB9 and there was no impact from the adoption of AASB9.

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2018 - continued

AASB15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB15 from 1 July 2018. The Company manufactures and sells a range of medical products to the wholesale and end user market. Sales are recognised when the company has delivered products and there is no unfilled obligation that could affect the customer's acceptance of the product. The payment consideration is within contract term typically on payment terms between 30 to 60 days. The transaction price is allocated to all performance obligations identified in the contract. Amounts disclosed as revenue are net of returns, trade allowances and rebates.

Customer acquisition costs and costs to fulfil a contract, subject to certain criteria, are capitalised as an asset and amortised over the contract period.

The Company has a Technology and Service platform. Revenue from services are recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on actual service provided as a percentage of the total service to be provided.

The impact on the financial performance and position of the consolidated entity from the adoption of these Accounting Standards is immaterial. There is no retrospective adjustment to financial reports.

Note 2 Segment information

The consolidated entity operates within one operating segment only – medical equipment. The medical equipment segment supplies durable medical equipment and consumable medical products to hospitals, medical centres and aged care facilities in Australia and New Zealand. The consolidated entity does not have any other reporting segments.

Note 3 Revenue

Details of disaggregated revenue are as follows:

Revenue	Diagnostics	Capital & Consumables	Devices	Service & Technology	Non-core business	Total
1H19	$11.76	$63.15	$37.24	$7.22	$10.67	$130.04
1H18	$0	$26.27	$15.20	$3.41	$7.65	$52.53

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2018 - continued

Note 4 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.

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 incorporates allowance for inflation.

Pre-tax discount rates of 11.7% have been used in the model.

An impairment of goodwill has been recognised in respect to the divestment of the discontinuing operation. This impairment is based on Management's understanding of the expected sales value compared to the Net Assets of the Business. The impairment value taken up for the discontinuing operations is $5,200,000.

Note 5 Contingent liabilities

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

Note 6 Subsequent events

The Company has declared an interim dividend of 1.1 cents per ordinary share, to be paid on 26 April 2019 in respect of the financial half year ended 31 December 2018. The dividend will be paid to all shareholders on the register of members as at the Record Date of 22 March 2019 and represents an unchanged amount on prior corresponding period.

No other matters or circumstances have arisen since the half year ended 31 December 2018 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 2018 - continued

Note 7 Contributed Equity

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

Date		Shares	$
30-Jun-18	**Closing balance**	**283,647,930**	**156,930,216**
31-Jul-18	Issue of shares as part consideration for the acquisition of REM Systems business at a price of $0.77 per share	2,056,256	1,577,838
14-Sep-18	Issue of Shares to Pioneer Australia, Pioneer Hong Kong, Pioneer Holdings,PioneerBV1, Tian Tian, UBS Trustees and the Lis at a price of 0.91 Share	16,483,517	15,000,000
8-Oct-18	Issue of shares pursuant to the company's dividend re-investment plan price of $0.7167 per share	1,004,167	719,686
20-Nov-18	Issue of Shares to Pioneer Australia, Pioneer Hong Kong, Pioneer Holdings,PioneerBV1, Tian Tian, UBS Trustees and the Lis at a price of 0.91 Share	33,934,869	27,999,295
31-Dec-18	**Closing balance**	**337,126,739**	**202,227,036**

Note 8 Business Combinations

Summary of business combinations during the period:

	Lovell Surgical Supplies Pty Ltd Pty Ltd $	Total Communications (Australia) $	Total $
Purchase Consideration:			
Cash and Cash Equivalents	1,000,000	27,323,067	28,323,067
Vendor Earnout Estimate	500,000	2,816,721	3,316,721
Ordinary Share in PGC	-	-	-
	1,500,000	**30,139,788**	**31,639,788**
Fair Value of Net Assets Acquired:			
Net Working Capital	7,555	1,070,196	1,077,751
Plant and Equipment	366,820	368,734	735,554
Employee Entitlements	(167,611)	(234,915)	(402,526)
Deferred Tax Asset	50,283	70,474	120,758
Goodwill on Consolidation	1,242,953	28,865,299	30,108,252
	1,500,000	**30,139,788**	**31,639,788**
Reconciliation to Cash Flow:			
Consideration of Purchase	1,500,000	30,139,788	31,639,788
Conditional Payment	(500,000)	(2,816,720)	(3,316,720)
Equity Funding	-	-	-
Net Outflow of Cash	**1,000,000**	**27,323,068**	**28,323,068**

LOVELL SURGICAL PTY LTD

On 5 July 2018, the Company acquired 100% of the shares in Lovell Surgical Pty Ltd.

	Lovell Surgical Supplies Pty Ltd Pty Ltd $
Purchase Consideration:	
Cash and Cash Equivalents	1,000,000
Vendor Earnout Estimate	500,000
Ordinary Share in PGC	-
	1,500,000
Fair Value of Net Assets Acquired:	
Net Working Capital	7,555
Plant and Equipment	366,820
Employee Entitlements	(167,611)
Deferred Tax Asset	50,283
Goodwill on Consolidation	1,242,953
	1,500,000
Reconciliation to Cash Flow:	
Consideration of Purchase	1,500,000
Conditional Payment	(500,000)
Equity Funding	-
Net Outflow of Cash	**1,000,000**

As per the sale agreement, the vendors are entitled to an earnout of 3.5 times the EBITDA growth between FY18 and FY21. Whilst the payment is uncapped, it is unlikely to go beyond the range of $0.5 million to $1 million.

Impact of acquisition on the results of the Group

For the calculation of revenues and profitability for the half year ended 31 December 2018, the profit results are reflective of trading from 5 July 2018 to 31 December 2018.

Provisional amounts

The fair values of assets and liabilities acquired, including vendor earnout, are presented as provisional amounts.

TOTAL COMMUNICATIONS (AUSTRALIA) PTY LTD

On 21 November 2018 the Company acquired 100% of the shares in Total Communication Pty Ltd. Total Communication is a unique acquisition providing an integrated vendor management and support solution to the aged care sector. These products cover Telephony, Nurse Calls, Access Control, CCTV, Cordless and Healthcare Wi-Fi requirements.

	Total Communications (Australia) $
Purchase Consideration:	
Cash and Cash Equivalents	27,323,067
Vendor Earnout Estimate	2,816,721
Ordinary Share in PGC	-
	30,139,788
Fair Value of Net Assets Acquired:	
Net Working Capital	1,070,196
Plant and Equipment	368,734
Employee Entitlements	(234,915)
Deferred Tax Asset	70,474
Goodwill on Consolidation	28,865,299
	30,139,788
Reconciliation to Cash Flow:	
Consideration of Purchase	30,139,788
Conditional Payment	(2,816,720)
Equity Funding	-
Net Outflow of Cash	**27,323,068**

As per the sale agreement, the vendors are entitled to an earnout of 3 times the EBITDA growth on forecasted FY20. Whilst this payment is uncapped, it's unlikely to go beyond the anticipated range of $1.80 million and $2.85 million.

Impact of acquisition on the results of the Group

Due to the acquisition occurring on 21 November 2018, the revenue and profit for Total Communications for the half year ended 31 December 2018 is reflective of the trading for 21 November 2018 to 31 December 2018.

Provisional amounts

The fair values of assets and liabilities acquired, including vendor earnout, are presented as provisional amounts.

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2018 - continued

Business combination Provisional Amounts Finalised

During 1H19, the acquired businesses of Anaequip Medical Pty Ltd and Insight Surgical Pty Ltd were re-assessed and finalized. The Anaequip Medical provisional fair value assessment resulted in an increase in goodwill of $25,743. This increase was reflected in the reassessment of working capital.

In regard to Insight Surgical Pty Ltd, the provisional fair values of assets and liabilities were re-assessed, resulting in an increase of goodwill of $280,000. This was reflected as a reassessment of the conditional vendor payment.

SUMMARY OF FINALISED BUSINESS COMBINATIONS IN 1H19

	Anaequip Medical Pty Ltd $	Insight Surgical Pty Ltd $	Total $
Purchase Consideration:			
Purchase Consideration- Cash and Cash Equivalents	**1,820,064**	**5,302,500**	**7,122,564**
Purchase Consideration- Contingent	-	505,679	**505,679**
Purchase Consideration- Shares	460,000	-	**460,000**
	2,280,064	5,808,179	8,088,243
Fair Value of Net Assets Acquired:			
Net Working Capital	334,497	1,044,276	**1,378,773**
Contract Value			**-**
Plant and Equipment	176,267	93,946	**270,213**
Employee Entitlements	(120,486)	(45,065)	**(165,550)**
Deferred Tax Asset	36,146	13,519	**49,665**
Goodwill on consolidation	**1,853,640**	**4,701,503**	**6,555,143**
	2,280,064	5,808,179	8,088,243
Reconciliation to cash flow:			
Consideration of purchase	2,280,064	5,808,179	**8,088,243**
Conditional Payment	-	(505,679)	**(505,679)**
Equity Funding	(460,000)	-	**(460,000)**
	1,820,064	**5,302,500**	**7,122,564**

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2018 - continued

Note 9 Business Divestment

On the 29 November, the Company announced that as part of the group-wide transformation program, it had commenced a strategic review of the business operations, particularly the capital equipment operations.

This strategic review included an evaluation of the business. Paragon renewed its vison and strategy with an increased focus on "high technology and recurring revenues". This Company decided it's intentions to divest its Capital and Consumable operations as part of the wider strategic review of its operations and growth targets.

The Company has provided a review of the discontinuing operation as per below:

	31-Dec-18 Discontinuing Operation $	31-Dec-17 Discontinuing Operation $
Revenue	**10,670,281**	**7,645,680**
Cost of Sales	(6,796,185)	(5,572,158)
Gross Profit	**3,874,095**	**2,073,521**
Gross Profit Margin %	36%	27%
Other Income	(16,971)	305
Operating Expenses	(8,893,139)	(4,687,854)
Earnings before interest, tax and depreciation (EBITDA)	**(5,036,015)**	**(2,614,028)**
Depreciation and Amortisation	(5,936,137)	(247,097)
Earnings before interest and tax (EBIT)	**(10,972,152)**	**(2,861,125)**
Interest Expense	(57,718)	-
Profit / (Loss) Before Tax from Operations	**(11,029,870)**	**(2,861,125)**
Tax Expense	1,748,961	858,338
Profit / (Loss) after tax	**(9,280,909)**	**(2,002,788)**

*Depreciation and amortisation includes goodwill impairment of $5,200,000 (refer note 4).

	31-Dec-18 Discontinuing operation
ASSETS	
Total current assets	26,431,486
Total non-current assets	-
TOTAL ASSETS	26,431,486
LIABILITIES	
Total current liabilities	875,814
Total non-current liabilities	-
TOTAL LIABILITIES	875,814
NET ASSETS	25,555,672

Paragon Care Limited
ABN: 76 064 551 426

Directors' Declaration
For the Half-Year Ended 31 December 2018

The Directors declare that:

1. The financial statements and notes set out on pages 6 to 17 are in accordance with the *Corporations Act 2001*, including;

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

    (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 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.

S.F. Tanner
Chairman
27 February 2019

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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 (the Company) and its Controlled Entities (the Group) which comprises the consolidate statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 2018 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 and Controlled Entities 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 2018 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

RSM AUSTRALIA PARTNERS

Philip A Ransom

P A RANSOM
Partner

Dated: 28 February 2019
Melbourne, Victoria