

**Azure Healthcare Limited**  
**Appendix 4D - Interim Financial Report**  
**For the Half Year Ended 31 December 2019**  
**Results for Announcement to the Market**

**Current Reporting Period - Year Ended 31 December 2019**

**Previous Reporting Period - Year Ended 31 December 2018**

	Change Up/(down)	31 December 2019 \$'000	31 December 2018 \$'000
Revenue from activities	12.1%	16,778	14,972
Foreign Exchange Gain	(72.6%)	17	62
Other Income		-	1
Interest income		1	1
<b>Revenue excluding interest income</b>	<b>11.7%</b>	<b>16,795</b>	<b>15,035</b>
<b>Earnings before interest expense, tax, depreciation and amortisation</b>	<b>760%</b>	<b>1,426</b>	<b>(216)</b>
Depreciation and amortisation expenses		(424)	(214)
<b>Earnings before interest and tax (EBIT)</b>	<b>333%</b>	<b>1,002</b>	<b>(430)</b>
Interest expense		(54)	(19)
<b>Profit/(loss) before income tax expense</b>	<b>311%</b>	<b>948</b>	<b>(449)</b>
Income tax expense		139	(16)
<b>Net Profit/(loss) after tax for the period attributable to members of Azure Healthcare Limited</b>	<b>274%</b>	<b>809</b>	<b>(465)</b>
<b>Other comprehensive income:</b>			
Exchange difference arising on translation of foreign operations (movement in equity reserves)	(150%)	(195)	389
<b>Total comprehensive income for the period attributable to members of Azure Healthcare Limited</b>	<b>908%</b>	<b>614</b>	<b>(76)</b>
<b>Net Tangible Asset per Security (cents per security)</b>		3.72	3.37
<b>Earnings/(losses) per share attributable to the ordinary equity holders of the company (cents per security):</b>			
Basic Earnings per Share		0.34	(0.20)
Diluted Earnings per Share		0.34	(0.20)
Record date for determining entitlements to the dividend			
Not Applicable			
<b>Dividends (distribution)</b>	<b>Amount per Security</b>	<b>Franked Amount per Security</b>	
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 6 months.			



## Appendix 4D

### Interim Financial Report

**For the Half Year Ended 31 December 2019**  
(previous corresponding period: Half Year Ended 31 December 2018)

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# Directors' Report

Your Directors present their report on the consolidated entity consisting of Azure Healthcare Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2019.

## **Directors**

The following persons were Directors of Azure Healthcare Limited during the half year and up to the date of this report:

Mr Graeme Billings	Non-Executive Chairman
Mr Clayton Astles	Chief Executive Officer & Director
Mr Brett Burns	Non-Executive Director
Mr Anthony Glenning	Non-Executive Director

## **Principal Activities**

The principal activities of the Company during the half year was the manufacture, supply and service of healthcare and electronic communications equipment.

## **Auditors independence**

The Auditors independence declaration can be found on page 16 of this report.

## **Financial performance**

Revenue from ordinary activities increased by 12.1% to \$16.778 million compared to the previous corresponding period.

Net profit after tax (NPAT) was \$0.809 million compared to a \$0.465 million net loss for the previous corresponding period (adoption of new accounting standards discussed at length in note 1(b) to the accounts has not given rise to any restatement of the prior corresponding period). This represents a 274% increase for NPAT on the previous year.

Software and Software Maintenance Agreements (SMA) revenues were 14% of total revenue, an increase from 11% in the prior comparative period.

Gross profit margins increased from 44.5% to 51.5% from the previous corresponding period driven by the Company's implementation of strategies to meet its supply chain procurement challenges that it has encountered over the past 12 months caused by uncertainty in the US tariff regime on raw materials imported from China into our US factory.

Overhead expenses increased from \$7.111 million to \$7.700 million over the previous corresponding period, with employment benefit expenses increasing largely due to lower amount of our Research & Development costs being capitalised in the period (as compared to the previous corresponding period), and revenue growth from higher commission based employment markets added to our employment costs.

Net tangible assets have increased from 3.37 cents to 3.72 cents per share, despite the inclusion of Lease Liabilities added from the adoption of the new accounting standards but not including the corresponding right-of-use asset.

Cash and operating cashflow: Cash as at 31 December 2019 was \$6.061 million representing an increase of \$4.116 million compared to June 2019. The majority of the increase was driven by the Placement of shares and Rights Issue undertaken during the period which raised a net \$3.368m. Cashflow from operating activities was positive \$1.826 million for the 6 months ended 31 December 2019 offset by cash used in investing activities of \$0.680 million (of which \$0.547 million related to investing in R&D) and further cash used in financing activities of \$0.219 million to repay bank debt and \$0.159 million repayment of leases.

The net impact of the adoption of AASB 16 Leases (see note 1(b)), was a decrease in NPAT of \$0.015 million representing higher Overhead Expenses over the reporting period. It also gave rise to the initial recognition of \$1.121 million of additional Right-of-use assets and an addition \$1.138 million of Lease Liabilities.

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

## **Operating performance**

While revenue continued to grow solidly, this profit increase is driven by margin improvement arising from increased share of higher margin Software and SMA revenues from 11% to 14% of total revenue; as well as process improvements across the operations from management action taken over the past 12 months to improve manufacturing efficiencies. These included:

- The introduction of drop shipping to resellers around the world, resulting in lower levels and costs of regional inventory, and reduced product costs and delivery timelines;
- Improved inventory management to achieve more attractive pricing; and
- Other operational efficiencies achieved through the deployment of material requirements planning software and more streamlined processes.

# Directors' Report

Azure also took action to mitigate the effects of the US-China tariff regime by:

- Shifting away from China for sourcing raw materials and componentry; and
- Making refinements to raw re-order points and quantities which benefited unit cost prices.

Results from Australia were impacted by the Royal Commission into Aged Care in Australia which has resulted in the deferral of investment decisions by Aged Care operators pending the Royal Commission outcomes. With the appointment of a new General Manager in Australia, the Company has taken steps to improve performance in 2HFY20.

Meanwhile, Azure's performance in the USA drove growth across the Group, which is encouraging, given the US market is a much larger opportunity for the Company. Key staff hires in strategic markets are expected to deliver impactful change in regions where identified opportunities exist.

Post 1H FY20 end, Azure announced its wholly owned US subsidiary, Austco Marketing and Services (USA) Ltd had signed a further three-year Purchase and Maintenance Agreement ('Agreement') to provide its market leading IP nurse call system and Tacera Pulse software platform to one of the largest healthcare service providers in the US. This is a key plank in our global business and one which we intend to replicate given the endorsement that this resigning provides the Company.

The Agreement ensures that Azure will continue to build on the previous successful five-year provision of products and services, announced in 2013, which generated A\$35M in revenue to Azure since FY2015. Revenue generated from the agreement has increased from initial US\$3.2 million in FY15 to US\$5.1 million in FY19.

The Agreement will see Azure continue the provision of the Tacera IP nurse call system to approximately 130 healthcare facilities across more than 30 US states with a leading provider of high-quality inpatient and rehabilitation hospitals and at-home care. The Agreement has been secured with a New York Stock Exchange-listed company with a market capitalisation of more than US\$7 billion and 2019 revenue of US\$4.6 billion.

**COVID - 19** The highly publicised COVID - 19 virus is a dynamic risk that many businesses are managing. In discussions with our Chinese suppliers, we will have some interruption in our supply chain, which we are seeking to mitigate. However, based on our current understanding and advice, we would expect these delays not to have a material impact on 2HFY20. This may change as the COVID - 19 risk is either resolved or escalates.

## Corporate

Azure raised \$2 million in November 2019 through a successful placement and a further \$1.5 million in December 2019 through an oversubscribed Rights Offer. Funds raised will be employed to:

- Increase strategic marketing and sales in international markets
- Develop brand awareness via new product trials and innovation
- Target purchases of materials to benefit manufacturing efficiencies

The Company promoted Victor Almeida to General Manager USA in January 2020. Mr Almeida will add the USA responsibilities to his existing General Manager Canada role. The General Manager USA is a new role within the Group. Azure also appointed Peter DiBari as General Manager Australia, which is also a new role and confirms the Company's commitment to drive sales growth in the Australian market.

## Research & Development Expenditure

The Group invested \$1.687 million in research and development for the 6 months ended 31 December 2019 (of which \$0.381 million was capitalised) compared to \$1.683 million for the previous corresponding period (of which \$0.620 million was capitalised). The Group remains committed to continuing this investment in scalable software solutions, particularly in mobile workflow solutions and 3rd party integrations, which will help boost organic growth in revenues.

## Rounding of amounts

The Group is a company of the kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with the class order amounts in the Directors' Report and Interim Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.



Clayton Astles  
Chief Executive Officer Melbourne  
Dated 26 February 2020

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half Year Ended 31 December 2019

	Note	31 December 2019 \$'000	31 December 2018 \$'000
Revenue	2	16,778	14,972
Other Income		18	64
Cost of Goods Sold		(8,148)	(8,374)
<b>Gross Profit</b>		<b>8,648</b>	<b>6,662</b>
Employee Benefits Expense		(5,093)	(4,600)
Motor Vehicle Expenses		(49)	(78)
Occupancy Expenses		(143)	(235)
Depreciation and Amortisation Expenses		(424)	(214)
Accounting, Audit, Legal and Advisor Fees		(460)	(505)
Finance Costs		(54)	(19)
Travel Expenses		(590)	(559)
Other Expenses		(887)	(901)
Total Overhead Expenses		(7,700)	(7,111)
<b>Profit / (Loss) Before Income Tax</b>		<b>948</b>	<b>(449)</b>
Income Tax Expense		139	16
<b>Net Profit / (Loss) after tax</b>		<b>809</b>	<b>(465)</b>
<b>Net Profit / (Loss) attributable to members of Azure Healthcare Limited</b>		<b>809</b>	<b>(465)</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified subsequently to Profit or Loss</i>			
Exchange Differences on Translation of Foreign Operations		(195)	389
<b>Total Comprehensive Income / (Loss) for the Year</b>		<b>614</b>	<b>(76)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per Share:</b>			
Basic earnings/(loss) per share		0.34	(0.20)
Diluted earnings/(loss) per share		0.34	(0.20)

# Interim Condensed Consolidated Statement of Financial Position as at 31 December 2019

## Consolidated Entity

	Note	31 December 2019 \$'000	30 June 2019 \$'000
<b>Current Assets</b>			
Cash and Cash Equivalents		6,061	1,945
Trade and Other Receivables		5,213	6,919
Inventories		6,281	6,931
Other Assets		1,191	886
<b>Total Current Assets</b>		<b>18,746</b>	<b>16,681</b>
<b>Non-Current Assets</b>			
Plant and Equipment		424	394
Right-of-use Assets	1(b)	1,003	-
Deferred Tax Assets		684	696
Intangible Assets	5	2,350	1,955
<b>Total Non-Current Assets</b>		<b>4,461</b>	<b>3,045</b>
<b>Total Assets</b>		<b>23,207</b>	<b>19,726</b>
<b>Current Liabilities</b>			
Trade and Other Payables		6,596	8,035
Short Term Borrowings		58	277
Current Tax Liabilities		122	80
Lease Liabilities	1(b)	336	-
Provisions		864	782
<b>Total Current Liabilities</b>		<b>7,976</b>	<b>9,174</b>
<b>Non-Current Liabilities</b>			
Lease Liabilities	1(b)	698	-
Provisions		10	17
<b>Total Non-Current Liabilities</b>		<b>708</b>	<b>17</b>
<b>Total Liabilities</b>		<b>8,684</b>	<b>9,191</b>
<b>Net Assets</b>		<b>14,523</b>	<b>10,535</b>
<b>Equity</b>			
Contributed Equity	8	41,444	38,076
Option Reserves		31	8
Foreign Exchange Reserve		(510)	(315)
Accumulated Losses		(26,442)	(27,234)
<b>Total Equity</b>		<b>14,523</b>	<b>10,535</b>

# Interim Condensed Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2019

	Consolidated Entity				
	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Option Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	38,076	(27,871)	(696)	-	9,509
Profit after income tax expense for the period	-	(465)	-	-	(465)
Other comprehensive income for the period, net of tax	-	-	389	-	389
Total comprehensive income for the period	-	(465)	389	-	(76)
<b>Balance at 31 December 2018</b>	<b>38,076</b>	<b>(28,336)</b>	<b>(307)</b>	<b>-</b>	<b>9,433</b>
Balance at 1 July 2019, as previously reported	38,076	(27,234)	(315)	8	10,535
Impact of change in accounting policy (note 1(b))	-	(17)	-	-	(17)
<b>Adjusted balance at 1 July 2019</b>	<b>38,076</b>	<b>(27,251)</b>	<b>(315)</b>	<b>8</b>	<b>10,518</b>
Profit after income tax expense for the period	-	809	-	-	809
Other comprehensive income for the period, net of tax	-	-	(195)	-	(195)
Total comprehensive income for the period	-	809	(195)	-	614
Transactions with equity holders in their capacity as equity holders:					
Issue of Shares (note 8)	3,368	-	-	-	3,368
Share Based Payments	-	-	-	23	23
<b>Balance at 31 December 2019</b>	<b>41,444</b>	<b>(26,442)</b>	<b>(510)</b>	<b>31</b>	<b>14,523</b>



# Interim Condensed Consolidated Statement of Cash Flows for the Half Year Ended 31 December 2019

Consolidated Entity

	31 December 2019	31 December 2018
	\$'000	\$'000
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	18,484	14,989
Payments to Suppliers and Employees	(16,605)	(14,295)
Interest Received	1	1
Borrowing Costs	(54)	(19)
<b>Net Cash From Operating Activities</b>	<b>1,826</b>	<b>676</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Acquisition of Property, Plant, Equipment & Intangible Assets	(680)	(702)
Proceeds from Disposal of Property, Plant and Equipment	-	9
<b>Net Cash Provided by/ (Used in) Investing Activities</b>	<b>(680)</b>	<b>(693)</b>
<b>Net Cash Provided by/ (Used in) Operating and Investing Activities</b>	<b>1,146</b>	<b>(17)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Shares	3,368	-
Repayment of Borrowings	(219)	(242)
Payment of Lease Liabilities	(159)	-
<b>Net Cash Provided by/ (Used in) Financing Activities</b>	<b>2,990</b>	<b>(242)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>4,136</b>	<b>(259)</b>
Cash and Cash Equivalents at Beginning of Year	1,945	2,307
Effects of Exchange Rate Changes in Cash	(20)	(37)
<b>Cash and Cash Equivalents at End of Year</b>	<b>6,061</b>	<b>2,011</b>

# Notes to the Interim Condensed Consolidated Financial Statements

## Note 1. Basis of Preparation

This half-year 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.

### (a) Basis of Preparation

This financial report is intended to provide users with an update on the latest annual financial statements of Azure Healthcare Limited (the Company) and its controlled entities (the Group). This half-year report has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Act 2001 as appropriate for for-profit oriented entities. 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 2019, together with any public announcements made during the interim period. The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### (b) Summary of the Significant Accounting Policies

The Group 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.

#### New Accounting Standards Adopted by the Group

The Group has adopted AASB 16 from 1 July 2019. AASB 16 supersedes AASB 117 'Leases', AASB Interpretation 4 'Determining whether an arrangement contains a Lease', AASB Interpretation 115 'Operating Leases Incentive' and AASB Interpretation 127 'Evaluating the Substance of Transactions Involving the legal form of a Lease. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in Overhead Expenses) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. Expenses for these leases would have been recorded under Occupancy expenses prior to the adoption of AASB 16. After adoption of AASB 16, the Group's cash flows from operating activities will include payments for the interest portion of lease payments (included in Borrowing Costs) and cash flows from financing will include repayment of the principal portion of the lease liabilities.

#### Impact of adoption

AASB 16 was adopted using the modified retrospective approach with the date of initial application of 1 July 2019 and as such the comparatives have not been restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application, and to account for leases with a remaining lease term of 12 months or less from 1 July 2019 similar to short-term leases. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

<b>Assets</b>	<b>\$'000</b>
Right-of-use assets	1,121
<b>Total assets</b>	<b>1,121</b>
<b>Liabilities</b>	
Current Lease Liabilities	300
Non-Current Lease Liabilities	838
<b>Total liabilities</b>	<b>1,138</b>
<b>Total adjustment on equity:</b>	
Retained earnings	(17)

The Group has lease contracts for various items of plant, vehicles and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

# Notes to the Interim Condensed Consolidated Financial Statements

## Note 1. Basis of Preparation (continued)

### (b) Summary of the Significant Accounting Policies (continued)

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied but discounted using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	1 July 2019 \$'000
<b>Operating lease commitments as at 1 July 2019 (AASB 117)</b>	<b>1,374</b>
<b>Less:</b>	
Commitments relating to short-term leases	(39)
Commitments relating to leases of low-value assets	(3)
Operating lease commitments discount based on the weighted average incremental borrowing rate of 7.72% (AASB16)	(194)
<b>Lease liabilities as at 1 July 2019</b>	<b>1,138</b>

### Summary of new accounting policies

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the right-of-use asset is depreciated over its useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

#### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. Variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts of lease liabilities are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee amount; lease term; assessment to purchase the underlying asset and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

# Notes to the Interim Condensed Consolidated Financial Statements

## Note 1. Basis of Preparation (continued)

### (b) Summary of the Significant Accounting Policies (continued)

#### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

The Group has not included the renewal period as part of the lease term for leases of rented properties due to the expected availability of replacement right-of-use assets in the future at competitive rates.

#### Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use Assets				Lease Liabilities
	Properties	Motor Vehicles	Other equipment	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2019</b>	<b>1,009</b>	<b>61</b>	<b>51</b>	<b>1,121</b>	<b>1,138</b>
Additions	46	-	-	46	46
Depreciation expense	(148)	(19)	(7)	(174)	-
Interest expense	-	-	-	-	42
Payments	-	-	-	-	(201)
Foreign Exchange	8	1	1	10	9
<b>As at 31 December 2019</b>	<b>915</b>	<b>43</b>	<b>45</b>	<b>1,003</b>	<b>1,034</b>
<i>Current Lease Liabilities</i>					336
<i>Non-Current Lease Liabilities</i>					698

Set out below, are the amounts recognised in profit or loss for the six months ended 31 December 2019\*:

	\$'000
Depreciation expense of right-of-use assets	174
Interest expense on lease liabilities	42
Rent expense - short-term leases	39
Rent expense - leases of low-value assets	-
Rent expense - variable lease payments	104
<b>Total amounts recognised in profit or loss</b>	<b>359</b>

\*The Group has elected the modified retrospective approach thus the comparative Profit or loss is not restated and therefore is not disclosed above.

# Notes to the Interim Condensed Consolidated Financial Statements

## Note 2. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers, for the six months to 31 December 2019:

	Equipment	Installation	Software & SMA	Total
<i>Type of Good or Service</i>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Sale of equipment	10,793	-	-	10,793
Installation services	-	3,693	-	3,693
Sale of Software & Maintenance Agreements	-	-	2,292	2,292
<b>Total revenue from contracts with customers</b>	<b>10,793</b>	<b>3,693</b>	<b>2,292</b>	<b>16,778</b>
<b>Geographical Markets</b>				
Australia/New Zealand	4,106	610	415	5,131
North America	4,877	2,806	1,526	9,209
Europe	693	228	32	953
Asia	1,117	49	319	1,485
<b>Total revenue from contracts with customers</b>	<b>10,793</b>	<b>3,693</b>	<b>2,292</b>	<b>16,778</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	10,793	-	1,406	12,199
Services transferred over time	-	3,693	886	4,579
<b>Total revenue from contracts with customers</b>	<b>10,793</b>	<b>3,693</b>	<b>2,292</b>	<b>16,778</b>

Set out below is the disaggregation of the Group's revenue from contracts with customers, for the six months to 31 December 2018:

	Equipment	Installation	Software & SMA	Total
<i>Type of Good or Service</i>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Sale of equipment	10,687	-	-	10,687
Installation services	-	2,694	-	2,694
Sale of Software & Maintenance Agreements	-	-	1,591	1,591
<b>Total revenue from contracts with customers</b>	<b>10,687</b>	<b>2,694</b>	<b>1,591</b>	<b>14,972</b>
<b>Geographical Markets</b>				
Australia/New Zealand	4,939	457	444	5,840
North America	3,271	1,808	790	5,869
Europe	1,048	304	81	1,433
Asia	1,429	124	276	1,830
<b>Total revenue from contracts with customers</b>	<b>10,687</b>	<b>2,694</b>	<b>1,591</b>	<b>14,972</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	10,687	-	1,041	11,728
Services transferred over time	-	2,694	551	3,244
<b>Total revenue from contracts with customers</b>	<b>10,687</b>	<b>2,694</b>	<b>1,591</b>	<b>14,972</b>

# Notes to the Interim Condensed Consolidated Financial Statements

## Note 3. 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 focuses on providing electronic communications in healthcare and development of nurse call and care management systems for the hospitals and aged care markets. The group is segmented into four geographic regions consisting of Australia/New Zealand, Asia, Europe and North America.

\$'000	Australia / NZ	Asia	Europe	North America	Total	Eliminations Intercompany	Corporate	Group Total
<b>31 December 2019</b>								
Revenue - external	5,130	1,485	954	9,209	16,778	-	-	16,778
Revenue - intersegment	46	1	1	3,689	3,737	(3,737)	-	-
Interest Revenue	38	-	-	-	38	(37)	-	1
<b>Total Revenue</b>	<b>5,214</b>	<b>1,486</b>	<b>955</b>	<b>12,898</b>	<b>20,553</b>	<b>(3,774)</b>	<b>-</b>	<b>16,779</b>
EBITDA	1,188	(245)	(86)	928	1,785	(129)	(230)	1,426
Depreciation	(53)	(52)	(34)	(129)	(268)	-	-	(268)
Amortisation	-	-	-	(156)	(156)	-	-	(156)
<b>EBIT</b>	<b>1,135</b>	<b>(297)</b>	<b>(120)</b>	<b>643</b>	<b>1,361</b>	<b>(129)</b>	<b>(230)</b>	<b>1,002</b>
Interest	(6)	(8)	(7)	(69)	(90)	41	(5)	(54)
Income Tax	(138)	-	-	(1)	(139)	-	-	(139)
<b>NPAT</b>	<b>991</b>	<b>(305)</b>	<b>(127)</b>	<b>573</b>	<b>1,132</b>	<b>(88)</b>	<b>(235)</b>	<b>809</b>

\$'000	Australia / NZ	Asia	Europe	North America	Total	Eliminations Intercompany	Corporate	Group Total
<b>31 December 2018</b>								
Revenue - external	5,917	1,819	1,424	5,864	15,024	(52)	-	14,972
Revenue - intersegment	76	-	9	3,491	3,576	(3,576)	-	-
Interest Revenue	28	-	-	-	28	(27)	-	1
<b>Total Revenue</b>	<b>6,021</b>	<b>1,819</b>	<b>1,433</b>	<b>9,355</b>	<b>18,628</b>	<b>(3,655)</b>	<b>-</b>	<b>14,973</b>
EBITDA	730	(129)	115	(884)	(168)	117	(166)	(217)
Depreciation	(27)	(7)	(6)	(100)	(140)	-	-	(140)
Amortisation	-	-	-	(74)	(74)	-	-	(74)
<b>EBIT</b>	<b>704</b>	<b>(136)</b>	<b>109</b>	<b>(1,058)</b>	<b>(382)</b>	<b>117</b>	<b>(166)</b>	<b>(431)</b>
Interest	-	-	-	(28)	(28)	28	(19)	(19)
Income Tax	-	-	(15)	(1)	(16)	-	-	(16)
<b>NPAT</b>	<b>704</b>	<b>(136)</b>	<b>94</b>	<b>(1,087)</b>	<b>(425)</b>	<b>145</b>	<b>(185)</b>	<b>(465)</b>

<b>Segment Assets</b>								
30/06/2019	23,187	1,738	1,189	11,602	37,716	(26,246)	8,256	19,726
31/12/2019	26,936	1,196	1,490	13,010	42,632	(30,658)	11,234	23,207
<b>Segment Liabilities</b>								
30/06/2019	3,681	1,432	544	21,355	27,012	(18,064)	243	9,191
31/12/2019	6,629	1,192	957	21,676	30,454	(21,834)	64	8,684

### Results of Segment

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.

### Inter-segment pricing

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Company. These transfers are eliminated on consolidation.

# Notes to the Interim Condensed Consolidated Financial Statements

## Note 4. Dividends

The Company resolved not to declare any dividends in the period ended 31 December 2019.

## Note 5. 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 31 December 2019, the carrying amount of capitalised development costs was \$2.350 million (June 2019: \$1.955 million).

## Note 6. Contingent Liabilities and Assets

There has been no changes in contingent liabilities and assets reported since the last annual reporting date.

## Note 7. Net Tangible Assets

	31 December 2019 \$'000	30 June 2019 \$'000
Net Tangible Assets	10,565	7,884
Closing Shares (note 8)	284,188,951 shares	232,712,827 shares
Net Tangible Assets	3.72 cents	3.39 cents

Consistent with the recent ASIC interpretation, we have excluded the right-of-use asset from the Net Tangible Assets calculation but have included the Lease Liabilities.

## Note 8. Issued Capital

Movement in Ordinary Shares on Issue

	No. of Shares	Issue Price	\$'000
<b>Balance at 1 July 2019</b>	<b>232,712,827</b>		<b>38,076</b>
Placement Issue of Shares	29,411,764	\$0.068	2,000
Rights Offer Issue of Shares	22,064,360	\$0.068	1,500
Transaction costs			(132)
<b>Balance at 31 December 2019</b>	<b>284,188,951</b>		<b>41,444</b>

## Note 9. 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 Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

# Directors' Declaration

The Directors of Azure Healthcare Limited declare that in the Directors' opinion:

- (a) the financial report and notes of Azure Healthcare Limited for the half year ended 31 December 2019 are in accordance with the Corporation Act 2001, including:
  - (i) giving a true and fair view of consolidated entity's financial position as at 31 December 2019 and of its performance, for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standards and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they became due and payable.

Signed in accordance with a resolution of the directors.



Clayton Astles  
Chief Executive Officer  
Dated 26 February 2020



## Auditor's Independence Declaration to the Directors of Azure Healthcare Limited

As lead auditor for the review of Azure Healthcare Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst + Young

Ernst & Young



Joanne Lonergan  
Partner  
26 February 2020

## Independent Auditor's Review Report to the Members of Azure Healthcare Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Azure Healthcare Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### 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

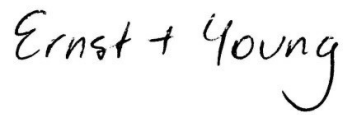
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial 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 the Group, 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*.



Ernst & Young



Joanne Lonergan  
Partner  
Melbourne  
26 February 2020