

1. Company details

Name of entity:	Paragon Care Limited (PGC)
ABN:	76 064 551 426
Reporting period:	For the half year ended 31 December 2022 ('1H FY23')
Previous period:	For the half year ended 31 December 2021 ('1H FY22')

2. Results for announcement to the market

	1H FY23 \$'000	1H FY22 \$'000	%
Revenue	153,857	111,283	38%
Reported Net Profit after Tax for the year	6,663	5,381	24%
Basic earnings per share	0.83	1.56	(47%)
Diluted earnings per share	0.81	1.52	(47%)
Interim dividend declared (cents per share)	0.6	0.6	0%

Dividends

Dividends Declared

In keeping with Board confidence in business performance, the directors have declared the payment of a fully franked interim dividend of 0.6 cents per fully paid ordinary share to be paid on 5 April 2023 in respect of the financial half year ended 31 December 2022. The dividend will be paid to all shareholders on the register of members as at the Record Date of 15 March 2023. This dividend has not been included as a liability in these financial statements. The dividend is 0.6 cents per fully paid ordinary share for the first half of the 2023 financial year.

On 4 October 2022 a fully franked final dividend for the year ended 30 June 2022 of 0.6 cents per ordinary share was paid which amounted to \$3,939,000 in total.

Comments and overview of 1H FY23 results

	HY23 \$'000	HY22 \$'000	Change from HY22 %
Revenue	153,857	111,283	38%
Cost of sales	(90,530)	(64,552)	(40%)
Gross margin	63,327	46,731	35%
<i>Gross profit margin %</i>	41.2%	42.0%	
Other income	1,981	404	
Operating expenses	(47,697)	(34,313)	
Normalised earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA')	17,611	12,822	37%
Acquisition costs	(212)	(2)	
Fair value gain on derivative liability	735	1,300	
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	18,134	14,120	28%
Depreciation and amortisation	(5,386)	(3,208)	
Earnings before interest and tax	12,748	10,912	
Interest expense	(3,317)	(3,224)	
Profit before income tax for the half-year	9,431	7,688	
Tax expense	(2,768)	(2,307)	
Profit after income tax for the half-year	6,663	5,381	24%

Key highlights from the results include:

Paragon Care delivered a strong underlying result with revenue in 1H FY23 up 38% to \$153.9m. Gross margin was up 35% to \$63.3m. The business performed well in 1H FY23, with underlying earnings growth following the integration of Quantum Healthcare and the acquisition of Specialist Medical Services (SMS) to include four months in 1H FY23.

Gross profit margins of 41.2%, down from 42% on pcp, reflecting a slightly lower margin sales mix.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 37% to \$17.6m, mainly reflecting the 1H FY23 six months contribution from Quantum Healthcare and four-month contribution from SMS. The integration activities are on track and the businesses are performing in line with expectations.

Depreciation and Amortisation includes Quantum Identifiable Intangible Asset amortisation on acquisition of \$0.9m for February 2022 to December 2022, and SaaS project costs \$0.5m fully amortised in the first year.

The net profit after tax result of \$6.6m, up 24% on pcp, reflecting contributions from Quantum Healthcare and SMS, and Basic Earnings per share (EPS) decreased by 47% to 0.83 cents per share (cps).

Operating cash flow decreased to \$1.2m in 1H FY23, down from \$3.9m on pcp. increased trade and other receivables, and increased inventory holdings across the Group.

Interim dividend declared: A fully franked interim dividend of 0.6 cps has been declared, with a record date of 15 March 2023, to be paid on 5 April 2023, which represents a 63% payout of 1H FY23 NPAT.

Matters subsequent to the end of financial half-year

Change of Address for Principal Place of Business

Paragon Care Limited advised on 16 January 2023 that the Company's Principal Place of Business will change to 77-97 Ricketts Road, Mount Waverley, VIC 3149. There is no change to the registered office address of Paragon Care Limited and its subsidiaries which remain at Level 4, 96-100 Albert Road, South Melbourne, VIC 3205.

Refinance

The Company notes that as foreshadowed in its AGM Company Presentation to Shareholders on 23 November 2022, the Company has now entered into new finance arrangements with NAB and HSBC on 6 February 2023. These facilities will provide Paragon Care with varied term and ancillary facilities for AUD\$120M and USD\$30M for up to 4 years for core debt. Drawdown on the new facilities is expected in the week commencing 20 February 2023 following satisfaction of all pre-conditions.

Other corporate updates

Acquisition of Specialist Medical Supplies Pty Ltd (SMS) to drive market penetration within the Diagnostics Pillar:

On 24 August 2022, Paragon entered into an agreement with the owners of Specialist Medical Supplies Pty Ltd (SMS) to acquire the SMS business for a consideration for \$16.4 million (cash \$11.8m, equity shares \$2.9m and an earnout of \$1.7m). Paragon acquired 100% of the ordinary shares of SMS from the vendors. The transaction was funded by 20% script and 80% cash consideration and was completed on 1 September 2022. The cash portion of the transaction was funded from existing facilities. The vendors will be entitled to an earnout payment based on 1.5 times growth in EBITDA in the first 12 months.

New Chief Financial Officer (CFO): In September 2022, Paragon Care announced the appointment of Josephine De Martino as its new Chief Financial Officer (CFO) commencing on 3 October 2022. This follows the decision by Stephen Munday to finish with Paragon Care at the end of December 2022.

Appointment of Joint Company Secretary: In August 2022, Paragon Care Limited announced the appointment of Ms Claire Newstead-Sinclair as Company Secretary of Paragon, effective 15 August 2022. Ms Newstead-Sinclair is Joint Company Secretary with Ms Melanie Leydin, Company Secretary.

Director Retirement: Paragon Care announced in October 2022 that Mark Simari advised the Board of his intention to retire on 30 November 2022. Paragon Chair, Shane Tanner noted the Company is not currently intending to replace Mr Simari's position on the Board, given the additional two Directors appointed following the merger with Quantum Health Limited.

1H FY23 Paragon Care Statutory Results

	1H FY23	1H FY22	CHANGE
	\$m	\$m	%
Revenue	153.9	111.3	38%
Reported EBITDA	18.1	14.1	28%
Underlying EBITDA*	17.6	12.8	37%
Reported NPAT	6.7	5.4	24%
Underlying NPAT*	6.3	4.5	41%
Net debt (borrowings less cash & equivalents)	69.6	69.3	0%
DPS (Interim Dividend Per Share)	0.6cps	0.6cps	0%

* Underlying results for 1H FY23 exclude fair value gain on an interest rate swap and acquisition costs for Quantum and SMS. The adjustment for FY22 is to remove the fair value gain on an interest rate swap.

3. Additional information

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the consolidated financial statements for the half year ended 31 December 2022.

4. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

5. Authority for release

Authorised for release by the Board of Directors

22 February 2023

Paragon Care Limited

ABN 76 064 551 426

Interim Report - 31 December 2022

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Paragon Care Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022 ('HY23').

Directors

The following persons were directors of Paragon Care Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Shane Tanner	Non-Executive Chairman
Mark Hooper	Chief Executive Officer and Group Managing Director
Geoffrey Sam OAM	Non-Executive Director
Brent Stewart	Non-Executive Director
John Walstab	Executive Director and Executive General Manager Paragon Care Asia
Alan McCarthy	Non-Executive Director
Mark Simari	Non-Executive Director (retired 30 November 2022)

Principal activities

The principal continuing activity of the Group is supply of durable medical equipment, medical devices and consumable medical products and maintenance of technical medical equipment to the health and aged care markets throughout Australia, New Zealand and Asia.

There were no significant changes in the nature of the activities of the Group that occurred during the half-year.

Dividends

Dividends paid during the financial half-year were as follows:

	HY23 \$'000	HY22 \$'000
Final dividend for the year ended 30 June 2022 of 0.6 cents per ordinary share	3,939	-
Final dividend for the year ended 30 June 2021 of 1.0 cents per ordinary share	-	3,379
	<u>3,939</u>	<u>3,379</u>

In keeping with Board confidence in business performance, the directors have declared the payment of a fully franked interim dividend of 0.6 cents per fully paid ordinary share to be paid on 5 April 2023 in respect of the financial half-year ended 31 December 2022. The dividend will be paid to all shareholders on the register of members as at the Record Date of 15 March 2023. This dividend has not been included as a liability in these financial statements.

The dividend is 0.6 cents per fully paid ordinary share for the first half of the 2023 financial year.

Review of operations

The profit for the Group after providing for income tax amounted to \$6,663,000 (31 December 2021 ('HY22'): \$5,381,000)

Underlying EBITDA ('earnings before interest, taxation, depreciation and amortisation') is a financial measure not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash items, interest revenue, finance costs and tax expenses. The following table summarises key reconciling items between profit after income tax and Underlying EBITDA. The directors consider Underlying EBITDA to reflect the core earnings of the Group.

	HY23 \$'000	HY22 \$'000	Change from HY22 %
Revenue	153,857	111,283	38%
Cost of sales	(90,530)	(64,552)	(40%)
Gross margin	63,327	46,731	35%
<i>Gross profit margin %</i>	<i>41.2%</i>	<i>42.0%</i>	
Other income	1,981	404	
Operating expenses	(47,697)	(34,313)	
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Key highlights from the results include:

Paragon Care delivered a strong underlying result with revenue in 1H FY23 up 38% to \$153.9m. Gross margin was up 35% to \$63.3m. The business performed well in 1H FY23, with underlying earnings growth following the integration of Quantum Healthcare and the acquisition of Specialist Medical Services (SMS) to include four months in 1H FY23.

Gross profit margins of 41.2%, down from 42% on pcp, reflecting a slightly lower margin sales mix.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 37% to \$17.6m, mainly reflecting the 1H FY23 six months contribution from Quantum Healthcare and four-month contribution from SMS. The integration activities are on track and the businesses are performing in line with expectations.

Depreciation and Amortisation includes Quantum Identifiable Intangible Asset amortisation on acquisition of \$0.9m for February 2022 to December 2022, and SaaS project costs \$0.5m fully amortised in the first year.

The net profit after tax result of \$6.6m, up 24% on pcp, reflecting contributions from Quantum Healthcare and SMS, and Basic Earnings per share (EPS) decreased by 47% to 0.83 cents per share ('cps').

Operating cash flow decreased to \$1.2m in 1H FY23, down from \$3.9m on pcp. increased trade and other receivables, and increased inventory holdings across the Group.

Interim dividend declared: A fully franked interim dividend of 0.6 cps has been declared, with a record date of 15 March 2023, to be paid on 5 April 2023, which represents a 63% payout of 1H FY23 NPAT.

Significant changes in the state of affairs

Acquisition of Specialist Medical Supplies Pty Ltd (SMS) to drive market penetration within the Diagnostics Pillar

On 24 August 2022, Paragon entered into an agreement with the owners of Specialist Medical Supplies Pty Ltd ('SMS') ('vendors') acquired the SMS business for a consideration for \$16.4m (cash \$11.8m, equity shares \$2.9m and an earnout of \$1.7m). Paragon acquired 100% of the ordinary shares of SMS from the vendors. The transaction was funded by 20% share issue and 80% cash consideration and was completed on 1 September 2022. The cash portion of the transaction was funded from existing facilities. The vendors are entitled to an earnout payment based on 1.5 times growth in EBITDA in the first 12 months after acquisition.

New Chief Financial Officer ('CFO')

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Director retirement

Paragon Care announced in October 2022 that Mark Simari advised the Board of his intention to retire on 30 November 2022. Paragon Chair, Shane Tanner noted the Company is not currently intending to replace Mr Simari's position on the Board, given the additional two Directors appointed following the merger with Quantum Health Limited.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

Change of address and principal place of business

Paragon Care Limited advised on 16 January 2023, the Company's principal place of business will change to: 77-97 Ricketts Road, Mount Waverley, VIC 3149. There is no change to the registered office address of Paragon Care Limited and its subsidiaries which remain at Level 4, 96-100 Albert Road, South Melbourne, VIC 3205.

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Apart from the interim dividend declared as discussed above, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Shane Tanner
Chairman

22 February 2023
Melbourne

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000

PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000

F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the half-year financial report of Paragon Care Limited and its controlled entities for the half year ended 31 December 2022, 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 AUSTRALIA PARTNERS



R B MIANO

Partner

Melbourne, Victoria

Dated: 22 February 2023

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RSM Australia Partners ABN 36 965 185 036

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	Note	HY23 \$'000	HY22 \$'000
Revenue			
Sale of goods	4	153,857	111,283
Cost of goods sold		(90,530)	(64,552)
		<u>63,327</u>	<u>46,731</u>
Gross margin			
Other income			
Other income	5	1,941	404
Interest revenue calculated using the effective interest method		40	-
Expenses			
Employee benefits expense		(32,894)	(25,663)
Depreciation and amortisation expense		(5,386)	(3,208)
Distribution expenses		(4,176)	(3,184)
Marketing expenses		(1,843)	(373)
Occupancy expenses		(1,139)	(734)
Other expenses	6	(7,326)	(4,221)
Finance costs		(3,317)	(3,224)
Share-based payments expense		(319)	(138)
		<u>8,908</u>	<u>6,390</u>
Operating profit			
Acquisition costs		(212)	(2)
Fair value gain on derivative liability		735	1,300
		<u>9,431</u>	<u>7,688</u>
Profit before income tax expense			
Income tax expense		(2,768)	(2,307)
		<u>6,663</u>	<u>5,381</u>
Profit after income tax expense for the half-year			
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges transferred to profit or loss, net of tax		(699)	93
Foreign currency translation		843	(174)
		<u>144</u>	<u>(81)</u>
Other comprehensive income/(loss) for the half-year, net of tax			
Total comprehensive income for the half-year			
		<u>6,807</u>	<u>5,300</u>
Profit for the half-year is attributable to:			
Non-controlling interest		1,279	-
Owners of Paragon Care Limited		5,384	5,381
		<u>6,663</u>	<u>5,381</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		1,279	-
Owners of Paragon Care Limited		5,528	5,300
		<u>6,807</u>	<u>5,300</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Paragon Care Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

ParagonCare

	Note	HY23 Cents	HY22 Cents
Basic earnings per share	21	0.83	1.56
Diluted earnings per share	21	0.81	1.52

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	HY23 \$'000	FY22 \$'000
Assets			
Current assets			
Cash and cash equivalents		26,667	46,203
Trade and other receivables	7	47,322	42,921
Inventories		61,949	51,454
Other assets	8	14,465	9,196
Financial derivative asset		650	1,065
Total current assets		<u>151,053</u>	<u>150,839</u>
Non-current assets			
Investment properties	9	2,185	261
Property, plant and equipment	10	11,936	10,233
Right-of-use assets	11	19,379	20,266
Intangibles	12	261,196	244,380
Deferred tax		8,590	11,047
Total non-current assets		<u>303,286</u>	<u>286,187</u>
Total assets		<u>454,339</u>	<u>437,026</u>
Liabilities			
Current liabilities			
Trade and other payables		38,629	28,305
Borrowings	13	28,814	22,759
Lease liabilities		3,599	3,450
Income tax		2,104	550
Employee benefits		7,080	6,609
Vendor conditional payables	14	2,600	1,390
Other liabilities		21,629	24,319
Total current liabilities		<u>104,455</u>	<u>87,382</u>
Non-current liabilities			
Borrowings	13	67,459	73,484
Lease liabilities		31,218	31,566
Employee benefits		765	816
Vendor conditional payables	14	1,661	1,443
Total non-current liabilities		<u>101,103</u>	<u>107,309</u>
Total liabilities		<u>205,558</u>	<u>194,691</u>
Net assets		<u>248,781</u>	<u>242,335</u>
Equity			
Issued capital	15	231,914	228,655
Reserves	16	9,284	7,376
Retained earnings		-	-
Equity attributable to the owners of Paragon Care Limited		<u>241,198</u>	<u>236,031</u>
Non-controlling interest		7,583	6,304
Total equity		<u>248,781</u>	<u>242,335</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
HY22					
Balance at 1 July 2021	113,952	7,566	-	-	121,518
Profit after income tax expense for the half-year	-	-	5,381	-	5,381
Other comprehensive loss for the half-year, net of tax	-	(81)	-	-	(81)
Total comprehensive income/(loss) for the half-year	-	(81)	5,381	-	5,300
Transfer to dividend reserve (note 16)	-	5,381	(5,381)	-	-
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	3,214	-	-	-	3,214
Share-based payments (note 22)	-	138	-	-	138
Dividends paid (note 17)	-	(3,379)	-	-	(3,379)
Balance at 31 December 2021	117,166	9,625	-	-	126,791
HY23					
Balance at 1 July 2022	228,655	7,376	-	6,304	242,335
Profit after income tax expense for the half-year	-	-	5,384	1,279	6,663
Other comprehensive income for the half-year, net of tax	-	144	-	-	144
Total comprehensive income for the half-year	-	144	5,384	1,279	6,807
Transfer to dividend reserve (note 16)	-	5,384	(5,384)	-	-
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 15)	3,259	-	-	-	3,259
Share-based payments (note 22)	-	319	-	-	319
Dividends paid (note 17)	-	(3,939)	-	-	(3,939)
Balance at 31 December 2022	231,914	9,284	-	7,583	248,781

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

	Note	HY23 \$'000	HY22 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		162,596	129,880
Payments to suppliers and employees (inclusive of GST)		(158,699)	(123,329)
Other income		1,941	404
Interest received		40	-
Interest and other finance costs paid		(3,317)	(2,841)
Income taxes refunded/(paid)		(1,374)	(248)
		<u>1,187</u>	<u>3,866</u>
Net cash from operating activities			
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	20	(11,066)	-
Payments for property, plant and equipment		(5,313)	(1,547)
Payments for intangibles		(295)	(160)
Proceeds from disposal of property, plant and equipment		76	-
Proceeds from release of security deposits		269	-
		<u>(16,329)</u>	<u>(1,707)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares		425	-
Share issue transaction costs		(19)	(157)
Proceeds from borrowings (net)		73	-
Repayment of borrowings (net)		-	(4,527)
Repayment of lease liabilities		(1,685)	(2,257)
Dividends paid	17	(3,939)	-
		<u>(5,145)</u>	<u>(6,941)</u>
Net cash used in financing activities			
Net decrease in cash and cash equivalents		(20,287)	(4,782)
Cash and cash equivalents at the beginning of the financial half-year		46,203	33,197
Effects of exchange rate changes on cash and cash equivalents		751	-
		<u>26,667</u>	<u>28,415</u>
Cash and cash equivalents at the end of the financial half-year			

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Paragon Care Limited as a Group consisting of Paragon Care Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ('HY23'). Paragon Care Limited and its subsidiaries together are referred to in these financial statements as the 'Group'. The financial statements are presented in Australian dollars, which is Paragon Care Limited's functional and presentation currency.

Paragon Care Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 4
96-100 Albert Road
South Melbourne VIC 3205

Principal place of business

77-97 Ricketts Road
Mt Waverley VIC 3149

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 ('FY22') and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Note 3. Operating segments

Identification of reportable operating segments

Commencing 1 July 2022, the Group is organised into four operating segments: Capital and Consumables, Devices, Diagnostics and Service and Technology. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

In prior periods, the Group operated within one operating segment only - Medical Equipment. The Medical Equipment segment supplied durable medical equipment and consumable medical product to hospitals, medical centres and aged care facilities in Australia predominantly. The Group did not have any other reporting segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Note 3. Operating segments (continued)

Types of products and services

The principal products and services of each of these operating segments are as follows:

Capital and consumables	Segment incorporates medical, surgical and veterinary services.
Devices	Segment incorporates Ophthalmology and optometry, orthopaedics, pain management, surgical procedure packs and infection prevention.
Diagnostics	Segment incorporates blood bank diagnostics manufacturer, clinical pathology diagnostics distribution and scientific and R&D laboratory equipment distribution.
Service and Technology	Segment incorporates comprehensive offering from biomedical devices to high end capital equipment, service support and technology management and service partnership with leading brands.

Corporate and Shared Services relates to the corporate running costs of the Group.

Intersegment transactions

Intersegment transactions were made at market rates and are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 3. Operating segments (continued)

Operating segment information

	Capital and Consumables \$'000	Devices \$'000	Diagnostics \$'000	Service and Technology \$'000	Corporate and shared services \$'000	Total \$'000
HY23						
Revenue						
Sales to external customers	46,219	42,335	18,751	46,552	-	153,857
Other revenue	1,513	64	19	(97)	444	1,943
Interest revenue	6	-	-	9	25	40
Total revenue	47,738	42,399	18,770	46,464	469	155,840
EBITDA	6,642	6,314	3,446	6,489	(4,797)	18,094
Depreciation and amortisation	(576)	(640)	(80)	(614)	(3,476)	(5,386)
Interest revenue	6	-	-	9	25	40
Finance costs	(38)	(2)	-	(82)	(3,195)	(3,317)
Profit/(loss) before income tax expense	6,034	5,672	3,366	5,802	(11,443)	9,431
Income tax expense						(2,768)
Profit after income tax expense						6,663
Assets						
Segment assets	96,253	89,214	48,161	153,297	32,157	419,082
<i>Unallocated assets:</i>						
Cash and cash equivalents						26,667
Deferred tax asset						8,590
Total assets						454,339
Liabilities						
Segment liabilities	24,802	16,258	8,366	20,105	37,650	107,181
<i>Unallocated liabilities:</i>						
Provision for income tax						2,104
Borrowings						96,273
Total liabilities						205,558

HY22

As the Group operated in one operating segment during the period, the information provided in the consolidated statement of profit or loss and other comprehensive income is the same as the operating segment and has not been disclosed here.

Geographical information

	Sales to external customers		Geographical non-current assets	
	HY23 \$'000	HY22 \$'000	HY23 \$'000	FY22 \$'000
Australia	109,888	85,895	288,002	265,791
New Zealand	20,397	24,755	2,572	2,539
Asia	23,572	633	4,120	6,773
	153,857	111,283	294,694	275,103

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets and post-employment benefits assets.

Note 4. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers, in respect of continuing operations, is as follows:

	HY23 \$'000	HY22 \$'000
<i>Major product lines</i>		
Capital and Consumables Product Line	46,219	47,032
Devices Product Line	42,335	40,455
Diagnostic Product Line	18,751	13,904
Services and Technology	46,552	9,892
	<u>153,857</u>	<u>111,283</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	107,305	101,391
Services transferred over time	46,552	9,892
	<u>153,857</u>	<u>111,283</u>

Geographical regions are disclosed in note 3.

Note 5. Other income

	HY23 \$'000	HY22 \$'000
Net foreign exchange gain	7	-
Rental income	446	375
Other income	1,488	29
	<u>1,941</u>	<u>404</u>

Note 6. Other expenses

	HY23 \$'000	HY22 \$'000
Management consulting fees	465	463
Professional fees	1,336	661
Information technology	2,214	1,688
Travel costs	1,787	359
Bad debts and allowance for/(recovery of) expected credit losses	(319)	(4)
Net (gain)/loss on sale of assets	(174)	71
Net foreign exchange loss	-	44
Other corporate costs	2,017	939
	<u>7,326</u>	<u>4,221</u>

Note 7. Trade and other receivables

	HY23 \$'000	FY22 \$'000
<i>Current assets</i>		
Trade receivables	35,592	30,483
Less: Allowance for expected credit losses	(1,069)	(1,227)
	<u>34,523</u>	<u>29,256</u>
Other receivables	1,158	884
Lease incentive receivable	11,641	12,781
	<u>47,322</u>	<u>42,921</u>

Allowance for expected credit losses

The Group has recognised a recovery of \$319,000 (HY22: loss of \$4,000) in the profit or loss account in respect of the expected credit losses for the half-year ended HY23.

Note 8. Other assets

	HY23 \$'000	FY22 \$'000
<i>Current assets</i>		
Prepayments	12,624	7,133
Security deposits	1,841	2,063
	<u>14,465</u>	<u>9,196</u>

Note 9. Investment properties

	HY23 \$'000	FY22 \$'000
<i>Non-current assets</i>		
Investment property - Freehold office building, Korea - at cost	<u>2,185</u>	<u>261</u>

Reconciliation

Reconciliation of the cost at the beginning and end of the current and previous financial half-year are set out below:

Opening cost	261	-
Additions through business combinations	-	261
Disposals	(51)	-
Transferred from property, plant and equipment - land and buildings (note 10)	1,975	-
	<u>2,185</u>	<u>261</u>
Closing cost		

Note 10. Property, plant and equipment

	HY23 \$'000	FY22 \$'000
<i>Non-current assets</i>		
Land and buildings - at cost	-	2,015
Less: Accumulated depreciation	-	(15)
	<u>-</u>	<u>2,000</u>
Leasehold improvements - at cost	3,320	3,318
Less: Accumulated depreciation	(1,299)	(1,209)
	<u>2,021</u>	<u>2,109</u>
Plant and equipment - at cost	34,273	33,085
Less: Accumulated depreciation	(28,975)	(27,800)
	<u>5,298</u>	<u>5,285</u>
Motor vehicles - at cost	1,433	1,535
Less: Accumulated depreciation	(1,321)	(1,454)
	<u>112</u>	<u>81</u>
Capital WIP - at cost	4,505	758
	<u>11,936</u>	<u>10,233</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Capital WIP \$'000	Total \$'000
Balance at 1 July 2022	2,000	2,109	5,285	81	758	10,233
Additions	-	-	1,610	55	3,747	5,412
Disposals	-	-	(73)	(3)	-	(76)
Transfer to investment properties (note 9)	(1,975)	-	-	-	-	(1,975)
Depreciation expense	(25)	(88)	(1,524)	(21)	-	(1,658)
Balance at 31 December 2022	<u>-</u>	<u>2,021</u>	<u>5,298</u>	<u>112</u>	<u>4,505</u>	<u>11,936</u>

Note 11. Right-of-use assets

	HY23 \$'000	FY22 \$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	34,211	35,862
Less: Accumulated depreciation	(14,832)	(15,596)
	<u>19,379</u>	<u>20,266</u>

Note 11. Right-of-use assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Land and buildings - right-of-use \$'000
Balance at 1 July 2022	20,266
Additions	2,381
Lease modifications	(1,219)
Depreciation expense	(2,049)
	<hr/>
Balance at 31 December 2022	<u>19,379</u>

Note 12. Intangibles

	HY23 \$'000	FY22 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	325,647	313,715
Less: Impairment	(72,699)	(72,699)
	<hr/>	<hr/>
	252,948	241,016
Website - at cost	206	206
Less: Accumulated amortisation	(175)	(165)
	<hr/>	<hr/>
	31	41
Customer contracts - at cost	6,317	-
Less: Accumulated amortisation	(946)	-
	<hr/>	<hr/>
	5,371	-
Software development costs - at cost	3,203	3,728
Less: Accumulated amortisation	(1,572)	(1,319)
	<hr/>	<hr/>
	1,631	2,409
Capital WIP - at cost	<hr/>	<hr/>
	1,215	914
	<hr/>	<hr/>
	261,196	244,380

Note 12. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill \$'000	Website \$'000	Customer contracts \$'000	Software development costs \$'000	Capital WIP \$'000	Total \$'000
Balance at 1 July 2022	241,016	41	-	2,409	914	244,380
Additions	-	-	-	-	301	301
Additions through business combinations (note 20)	14,099	-	-	-	-	14,099
Finalisation of prior period acquisition accounting	4,150	-	-	-	-	4,150
Disposals	-	-	-	(6)	-	(6)
Transfers in/(out)	(6,317)	-	6,317	-	-	-
Amortisation expense	-	(10)	(946)	(772)	-	(1,728)
Balance at 31 December 2022	<u>252,948</u>	<u>31</u>	<u>5,371</u>	<u>1,631</u>	<u>1,215</u>	<u>261,196</u>

Reallocation of goodwill

Commencing 1 July 2022, pursuant to a reorganisation of reporting structure, the Group has identified four cash generating units (CGU): Capital and Consumables, Devices, Diagnostics and Service and Technology. Consequently, goodwill arising on business combinations has been reallocated to these CGUs based on their relative values as follows:

	Capital and Consumables \$'000	Devices \$'000	Diagnostics \$'000	Service and Technology \$'000	Total \$'000
Goodwill	<u>56,978</u>	<u>56,832</u>	<u>27,372</u>	<u>111,766</u>	<u>252,948</u>

Impairment testing

Directors and Management have considered and assessed reasonably possible changes to the key assumptions and have not identified any instances that could cause the carrying amount of the four cash generating units to exceed their recoverable amount as at 31 December 2022.

Note 13. Borrowings

	HY23 \$'000	FY22 \$'000
<i>Current liabilities</i>		
Bank loans	10,000	7,000
Trade finance facility	16,947	13,894
Other loans	1,812	1,792
Hire purchase	55	73
	<u>28,814</u>	<u>22,759</u>
<i>Non-current liabilities</i>		
Bank loans	67,397	73,397
Hire purchase	62	87
	<u>67,459</u>	<u>73,484</u>

Note 14. Vendor conditional payables

	HY23 \$'000	FY22 \$'000
<i>Current liabilities</i>		
Vendor conditional payables	<u>2,600</u>	<u>1,390</u>
<i>Non-current liabilities</i>		
Vendor conditional payables	<u>1,661</u>	<u>1,443</u>

The vendor conditional payable represents contingent consideration payable to the vendor of shares in Quantum Hunex Korea Co Ltd and Specialist Medical Supplies Pty Ltd, subsidiaries of the Group.

Note 15. Issued capital

	HY23 Shares	FY22 Shares	HY23 \$'000	FY22 \$'000
Ordinary shares - fully paid	<u>657,845,929</u>	<u>644,268,271</u>	<u>231,914</u>	<u>228,655</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2022	644,268,271		228,655
Issue of shares on vesting of performance rights	26 August 2022	4,304,088	\$0.0000	-
Issue of shares as part consideration for the acquisition of Specialist Medical Supplies Pty Ltd business (note 20)	12 September 2022	7,773,570	\$0.3670	2,853
Issue of shares	29 November 2022	1,500,000	\$0.2833	425
Share issue transaction costs				(19)
Balance	31 December 2022	<u>657,845,929</u>		<u>231,914</u>

Note 16. Reserves

	HY23 \$'000	FY22 \$'000
Foreign currency translation reserve	(597)	(1,440)
Hedging reserve - cash flow hedges	47	746
Options reserve	649	330
Dividend reserve	<u>9,185</u>	<u>7,740</u>
	<u>9,284</u>	<u>7,376</u>

Note 16. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Foreign currency translation reserve \$'000	Hedging reserve - cash flow hedges \$'000	Option reserve \$'000	Dividend reserve \$'000	Total \$'000
Balance at 1 July 2022	(1,440)	746	330	7,740	7,376
Foreign currency translation	843	-	-	-	843
Net investment hedge	-	(699)	-	-	(699)
Share-based payments	-	-	319	-	319
Transfer of profit from retained earnings	-	-	-	5,384	5,384
Dividends paid (note 17)	-	-	-	(3,939)	(3,939)
Balance at 31 December 2022	<u>(597)</u>	<u>47</u>	<u>649</u>	<u>9,185</u>	<u>9,284</u>

Note 17. Dividends

Dividends paid during the financial half-year were as follows:

	HY23 \$'000	HY22 \$'000
Final dividend for the year ended 30 June 2022 of 0.6 cents per ordinary share	3,939	-
Final dividend for the year ended 30 June 2021 of 1.0 cents per ordinary share	-	3,379
	<u>3,939</u>	<u>3,379</u>

In keeping with Board confidence in business performance, the directors have declared the payment of a fully franked interim dividend of 0.6 cents per fully paid ordinary share to be paid on 5 April 2023 in respect of the financial half-year ended 31 December 2022. The dividend will be paid to all shareholders on the register of members as at the Record Date of 15 March 2023. This dividend has not been included as a liability in these financial statements.

The dividend is 0.6 cents per fully paid ordinary share for the first half of the 2023 financial year.

Note 18. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
HY23				
<i>Assets</i>				
Forward foreign exchange contracts and interest rate swap - cash flow hedges	-	650	-	650
Total assets	-	650	-	650
<i>Liabilities</i>				
Vendor conditional payable	-	-	(4,261)	(4,261)
Total liabilities	-	-	(4,261)	(4,261)
FY22				
<i>Assets</i>				
Forward foreign exchange contracts - cash flow hedges	-	1,065	-	1,065
Total assets	-	1,065	-	1,065
<i>Liabilities</i>				
Vendor conditional payable	-	-	(2,833)	(2,833)
Total liabilities	-	-	(2,833)	(2,833)

There were no transfers between levels during the financial half-year.

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

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Due to the nature of vendor conditional payable, it has been categorised as Level 3. Vendor conditional payable represents the obligation to pay additional amounts to vendors in respect of businesses acquired by the Group, subject to certain conditions being met. It is measured at the present value of the estimated liability. The fair value of the payable is calculated on the expected future cash outflows. These are reviewed at the reporting date to provide the expected future cash outflows. Upon completion of the review the future cash outflows are then discounted to present value using the Group's incremental borrowing rate.

Note 18. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

	Vendor conditional payable \$'000
Balance at 1 July 2022	(2,833)
Additions through business combinations	(1,635)
Exchange differences	207
	<hr/>
Balance at 31 December 2022	<u>(4,261)</u>

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Vendor conditional payables - Quantum Hunex Korea	Profit multiples	45%	10% change in multiple would increase/decrease fair value by \$270,000
Vendor conditional payables - Specialist Medical Supplies	EBITDA multiples	1.5 times	10% change in multiple would increase/decrease fair value by \$160,000

Note 19. Contingent liabilities

The Group has given bank guarantees as at HY23 of \$2,817,841 (FY22: \$2,919,748).

Note 20. Business combinations

Specialist Medical Supplies Pty Ltd

On 1 September 2022, the Company acquired 100% of the ordinary shares of Specialist Medical Supplies Pty Ltd for the total consideration of \$16,376,000. The vendors are entitled to an earnout payment based on 1.5 times growth in EBITDA in the first 12 months after acquisition. The acquired business contributed revenues of \$3,761,000 and profit after tax of \$818,000 to the Group for the period from 1 September 2022 to 31 December 2022. If the acquisition occurred on 1 July 2022, the full year contributions would have been revenues of \$5,509,000 and profit after tax of \$1,105,000. The values identified in relation to the acquisition of Specialist Medical Supplies Pty Ltd are provisional as at 31 December 2022.

SMS is the leading supplier in Australia of biopsy and skin lesion scalpels and other related products as well as a urethral bulking agent used in the treatment of female stress urinary incontinence. Operating since 1993, SMS has headquarters and a distribution centre located at Macquarie Park, NSW and supplies the pathology market, local specialist distributors and hospitals, predominantly in NSW and Queensland.

Paragon Care and SMS are highly complementary businesses. The merged entity will have an opportunity to cross-sell the combined product portfolio into the higher growth Asian markets and attract new suppliers over time based on its larger distribution footprint and commitment to high levels of corporate governance in Asian markets.

Note 20. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	851
Net working capital excluding cash and cash equivalents	<u>1,427</u>
Net assets acquired	2,278
Goodwill	<u>14,099</u>
Acquisition-date fair value of the total consideration transferred	<u><u>16,377</u></u>
Representing:	
Cash paid or payable to vendor	11,889
Paragon Care Limited shares issued to vendor	2,853
Vendor conditional payable	<u>1,635</u>
	<u><u>16,377</u></u>
Acquisition costs expensed to profit or loss	<u><u>24</u></u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	16,377
Less: cash and cash equivalents	(851)
Less: vendor conditional payable	(1,635)
Less: shares issued by Company as part of consideration	<u>(2,853)</u>
Net cash used	<u><u>11,038</u></u>

The fair value of trade receivables is \$1,055,000. The gross contractual amount for trade receivables due is \$1,055,000, all of which are expected to be collected.

Quantum Health Group Limited

Effective 16 February 2022, Paragon acquired Quantum Health Group Limited (Quantum) a leading independent high-end distributor of medical equipment across Australia and New Zealand, as well as key Asian markets including Korea, Thailand, the Philippines, China and Vietnam. Quantum specialises in the sales and service of diagnostic equipment for radiology, oncology, molecular imaging and aesthetics, and represents leading multinational manufacturers across Asia with long-standing relationships.

The above business combination that occurred in the previous financial year has now been finalised and detailed below are the final values. The finalisation of business combination accounting in accordance with AASB 3 'Business Combinations' has resulted in a decrease of \$2,160,000 in goodwill mainly due to recognition of identifiable intangible assets in the form of customer contracts, additional accruals and resulting deferred taxes.

Note 20. Business combinations (continued)

	At 30 Jun 2022 \$'000	Measurement period adjustments \$'000	Final values \$'000
Cash and cash equivalents	11,681	-	11,681
Net working capital excluding cash and cash equivalents	5,027	(1,710)	3,317
Investment property	261	-	261
Property, plant and equipment	2,844	-	2,844
Right-of-use assets	1,629	-	1,629
Intangible assets	81	6,317	6,398
Deferred tax	2,380	(2,447)	(67)
Other non-current assets	1,926	-	1,926
Vendor contingent payables	(2,626)	-	(2,626)
Borrowings	(2,163)	-	(2,163)
Lease liability	(1,702)	-	(1,702)
	<hr/>	<hr/>	<hr/>
Net assets acquired	19,338	2,160	21,498
Goodwill	92,015	(2,160)	89,855
	<hr/>	<hr/>	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>111,353</u>	<u>-</u>	<u>111,353</u>
Representing:			
Paragon Care Limited shares issued to vendor	105,559	-	105,559
Non-controlling interest	5,794	-	5,794
	<hr/>	<hr/>	<hr/>
	<u>111,353</u>	<u>-</u>	<u>111,353</u>
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	111,353	-	111,353
Less: cash and cash equivalents	(11,681)	-	(11,681)
Less: shares issued by Company as part of consideration	(105,559)	-	(105,559)
Less: non-controlling interest acquired	(5,794)	-	(5,794)
	<hr/>	<hr/>	<hr/>
Net cash received	<u>(11,681)</u>	<u>-</u>	<u>(11,681)</u>

Note 21. Earnings per share

	HY23 \$'000	HY22 \$'000
Profit after income tax	6,663	5,381
Non-controlling interest	(1,279)	-
	<u>5,384</u>	<u>5,381</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	652,220,931	344,642,996
Adjustments for calculation of diluted earnings per share:		
Performance rights	<u>13,366,509</u>	<u>9,234,243</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>665,587,440</u>	<u>353,877,239</u>
	Cents	Cents
Basic earnings per share	0.83	1.56
Diluted earnings per share	0.81	1.52

Note 22. Share-based payments

Performance rights

Details of the performance rights are included in the FY22 Annual Report. For performance rights issued within HY23, the following vesting conditions are applicable:

Vesting conditions and important dates

The vesting conditions for performance rights granted on 1 July 2022 will depend on meeting the following:

- Tranche 1: One third to vest subject to continuous employment and a minimum share price of 45c being achieved in FY23 calculated on a 14-day VWAP;
- Tranche 2: One third to vest subject to continuous employment and a minimum share price of 55c being achieved in FY24 calculated on a 14-day VWAP; and
- Tranche 3: One third to vest subject to continuous employment and a minimum share price of 65c being achieved in FY25 calculated on a 14- day VWAP.

The first vesting date of performance rights issued on 1 July 2022 is 30 June 2023 and all these performance rights will lapse on 30 June 2025 if not vested and exercised.

The vesting conditions for performance rights granted on 29 November 2022 will depend on meeting the following:

- Tranche 1: One third to vest subject to continuous employment and a minimum share price of 45c being achieved in FY23 calculated on a 14-day VWAP;
- Tranche 2: One third to vest subject to continuous employment and a minimum share price of 55c being achieved in FY24 calculated on a 14-day VWAP; and
- Tranche 3: One third to vest subject to continuous employment and a minimum share price of 65c being achieved in FY25 calculated on a 14- day VWAP.

The first vesting date of performance rights issued on 29 November 2022 is 30 June 2023 and all these performance rights will lapse on 30 June 2025 if not vested and exercised.

Note 22. Share-based payments (continued)

Summary of performance rights granted

Set out below are summaries of performance rights granted under the plan:

HY23

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
26/04/2019	30/09/2022	\$0.0000	188,810	-	-	(188,810)	-
22/02/2021	30/09/2023	\$0.0000	6,725,736	-	(4,304,088)	(1,097,353)	1,324,295
28/09/2021	28/09/2024	\$0.0000	4,798,529	-	-	-	4,798,529
01/07/2022	30/06/2025	\$0.0000	-	4,279,611	-	-	4,279,611
29/11/2022	30/06/2025	\$0.0000	-	5,441,086	-	-	5,441,086
			11,713,075	9,720,697	(4,304,088)	(1,286,163)	15,843,521

HY22

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
26/04/2019	30/09/2022	\$0.0000	188,810	-	-	-	188,810
22/02/2021	30/09/2023	\$0.0000	6,725,736	-	-	-	6,725,736
28/09/2021	28/09/2024	\$0.0000	-	4,798,529	-	-	4,798,529
			6,914,546	4,798,529	-	-	11,713,075

For the performance rights granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Fair value at grant date
01/07/2022	30/06/2025	\$0.2800	\$0.157
01/07/2022	30/06/2025	\$0.2800	\$0.163
01/07/2022	30/06/2025	\$0.2800	\$0.168
29/11/2022	30/06/2025	\$0.3550	\$0.157
29/11/2022	30/06/2025	\$0.3550	\$0.163
29/11/2022	30/06/2025	\$0.3550	\$0.168

Note 23. Events after the reporting period

Change of address and principal place of business

Paragon Care Limited advised on 16 January 2023, the Company's principal place of business will change to: 77-97 Ricketts Road, Mount Waverley, VIC 3149. There is no change to the registered office address of Paragon Care Limited and its subsidiaries which remain at Level 4, 96-100 Albert Road, South Melbourne, VIC 3205.

Refinance

The Company notes that as foreshadowed in its AGM Company Presentation to Shareholders on 23 November 2022, the Company has now entered into new finance arrangements with NAB and HSBC on 6 February 2023. These facilities will provide Paragon Care with varied term and ancillary facilities for AUD\$120m and USD\$30m for up to 4 years for core debt. Drawdown on the new facilities is expected in the week commencing 20 February 2023 following satisfaction of all pre-conditions.

Apart from the interim dividend declared as disclosed in note 17, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Shane Tanner
Chairman

22 February 2023
Melbourne

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of Paragon Care Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Paragon Care Limited ("the Company") and its controlled entities (together referred to as "the Group") which comprises the consolidated statement of financial position as at 31 December 2022, 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 Group.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Financial Report

The directors of Paragon Care Limited 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 for the Review of the Financial Report

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 Group's financial position as at 31 December 2022 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*.

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.



RSM AUSTRALIA PARTNERS



R B MIANO

Partner

Melbourne, Victoria

Dated: 22 February 2023