

# Azure Healthcare Limited

## Appendix 4D - Half Year End Financial Report

### For the Half Year Ended 31 December 2014

### Results for Announcement to the Market

**Current Reporting Period - Half Year Ended 31 December 2014**

**Previous Reporting Period - Half Year Ended 31 December 2013**

|   | %                   | 31 December 2014           | 31 December 2013                   |
|---|---------------------|----------------------------|------------------------------------|
|   | Change<br>Up/(down) | \$'000                     | \$'000                             |
| Revenue from ordinary activities  | 9.5%                | 17,570                     | 16,046                             |
| Interest income   | 25.0%               | 5                          | 4                                  |
| <b>Revenue from ordinary activities excluding interest income</b>   | <b>9.5%</b>         | <b>17,565</b>              | <b>16,042</b>                      |
| Operating expenses  | 21.1%               | (16,439)                   | (13,574)                           |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>  | <b>(54.4%)</b>      | <b>1,126</b>               | <b>2,468</b>                       |
| Depreciation and amortisation expenses  | 6.8%                | (253)                      | (237)                              |
| <b>Earnings before interest and tax (EBIT)</b>  | <b>(60.9%)</b>      | <b>873</b>                 | <b>2,231</b>                       |
| Net interest expense  | (14.0%)             | (37)                       | (43)                               |
| <b>Profit before income tax expense</b>   | <b>(61.8%)</b>      | <b>836</b>                 | <b>2,188</b>                       |
| Income tax expense  | (355.0%)            | 51                         | (20)                               |
| <b>Net Profit after tax from continuing operations</b>  | <b>(59.1%)</b>      | <b>887</b>                 | <b>2,168</b>                       |
| Net Profit after tax from discontinued operations   |                     | 7                          | -                                  |
| <b>Net Profit after tax for the period attributable to members of Azure Healthcare Limited</b>  | <b>(58.8%)</b>      | <b>894</b>                 | <b>2,168</b>                       |
| <b>Other comprehensive income:</b>  |                     |                            |                                    |
| Exchange difference arising on translation of foreign operations (movement in equity reserves)  | 107.2%              | 10                         | (139)                              |
| <b>Total comprehensive income for the period attributable to members of Azure Healthcare Limited</b>                                    | <b>(55.4%)</b>      | <b>904</b>                 | <b>2,029</b>                       |
| <b>Net Tangible Asset per Security (cents per security)</b>   |                     | 6.31                       | 4.79                               |
| <b>Earnings per share attributable to the ordinary equity holders of the company (cents per security):</b>                              |                     |                            |                                    |
| Continuing Operations (Basic and Diluted)   |                     | 0.47                       | 1.15                               |
| Discontinued Operations (Basic and Diluted)   |                     | -                          | -                                  |
| Overall Earnings per Share (Basic and Diluted)  |                     | 0.47                       | 1.15                               |
| Record date for determining entitlements to the dividend, (in the case of a trust, distribution)  |                     |                            |                                    |
|   |                     |                            | 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 12 months. |                     |                            |                                    |



## Appendix 4D Half Year Financial Report

For the Half Year Ended 31 December 2014  
(previous corresponding period: Half year ended 31 December 2013)

To be read in conjunction with the 30 June 2014 Annual Report.  
In compliance with Listing Rule 4.2A

# Contents

|  |           |
|--|-----------|
| <b>Directors' Report</b>   | <b>3</b>  |
| <b>Auditor's Independence Declaration</b>                                      | <b>6</b>  |
| <b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b> | <b>7</b>  |
| <b>Consolidated Statement of Financial Position</b>                            | <b>8</b>  |
| <b>Consolidated Statement of Changes in Equity</b>                             | <b>9</b>  |
| <b>Consolidated Statement of Cash Flows</b>                                    | <b>10</b> |
| <b>Notes to the Consolidated Financial Statements</b>                          | <b>11</b> |
| <b>Directors' Declaration</b>  | <b>15</b> |
| <b>Independent Auditor's Review Report</b>                                     | <b>16</b> |

# 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 2014.

## Directors

The following persons were directors of Azure Healthcare Limited during the half year and up to the date of this report, unless stated otherwise:

|                   |                          |
|-------------------|--------------------------|
| Mr Robert Grey    | Executive Chairman & CEO |
| Mr William Brooks | Non-Executive Director   |
| Mr Greg Lewis     | 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.

## Operating Result

The consolidated profit from continuing operations of the Company after providing for income tax amounted to \$887K (2013: \$2,168K). For further detail, refer to the Review of Operations below.

## Review of Operations

### Financial Performance Highlights:

1. Revenue from ordinary activities excluding interest income up 9.5% to \$17.570 million compared to \$16.046 million for the previous corresponding period.
2. Net profit after tax of \$0.894 million down 58.8% compared to \$2.168 million in the previous corresponding period.
3. Research and Development investment increased 57.7% from \$1.19 million to \$1.87 million.
4. EBIT of \$0.873 million down 60.9% from the previous corresponding period.
5. Earnings per share from continuing operations down 59.1% to 0.47 cents compared to 1.15 cents in the previous corresponding period.
6. NTA up 31.7% to 6.31 cents per share compared to 4.79 cents per share in the previous corresponding period.

# Directors' Report (continued)

## Report on operations for the 6 months ended 31 December 2014

Azure Healthcare Limited is pleased to report its financial results for the 6 months ended 31 December 2014. The Company continues substantive improvements in the operating performance of the business as we execute on our strategy to transition from an Australian-based nurse call system manufacturer to a global provider of clinical workflow software and healthcare solutions.

The following factors have influenced our financial results for this 6-month period and will influence our business in the short to medium term:

### ***Strong and increasing pipeline of sales***

The Azure Group's business continues to grow. Following on from significant project wins we anticipate future growth to be strong, although we are well aware that revenues are lumpy. Management will continue to invest and manage our businesses for the long term.

### ***Seasonality***

Ordinarily the Azure business has a financial performance which is weighted more strongly in the first-half of the financial year. This is because there are more production and working days and higher demand for our products in the lead-up to Christmas. For the first time in recent years we are experiencing a reversal in this trend, with stronger demand and product delivery occurring more in the second-half of this financial year. The business continues to increase sales year-on-year, in particular in the US market. This is despite deferred revenue for this period in New Zealand, Canada and Asia, due to key larger contracts deliveries being stretched or delayed in these regions. We cannot determine absolutely when these contracts will be completed, although management expects them to be finalised in the next 6-18 months.

### ***Increasing revenues and margins***

The Azure business has continued to increase sales in the 2014 / 2015 financial year. The business is increasing its software and maintenance sales and consequently is experiencing higher direct gross margins from its product offerings. These higher direct margins are partially obscured by the increase in production expenditure from our new Dallas manufacturing facility.

### ***Increased investment expenditure in production and Research & Development***

With the significant increase in demand and requirement for our products in North America, the company commenced a second manufacturing and assembly plant in the USA. We expect this to translate into increased sales in the US region as this facility feeds the growing US, Canadian and South American markets. In order to facilitate this growth we need to resource for the future with increased production and Research & Development capability. This has involved spending more on production staffing to meet future demand and investment in developing new software to meet customer requirements.

The Company invested \$1.874 million in research and development compared to \$1.188 million in the previous corresponding period whilst additional expenditure in production staffing for the new US manufacturing facility was \$0.546 million compared to the previous corresponding period. The Company remains committed to continuing this investment to ensure the sustained development and advancement of its products.

Azure is currently running dual manufacturing and R&D facilities. This is a necessary transition in order for the Company to maximise its potential and obtain a foothold in the lucrative and substantial US healthcare market whilst still increasing sales and production output to the remainder of the world's markets.

We expect these costs will continue for the foreseeable future but anticipate future revenue growth to eventuate from these investments. As a conservative approach the Company continues to expense these costs rather than capitalise them. Management's policy on this has not changed so we don't confuse the market by capitalising R&D and capital expansion costs to report higher earnings.

## Directors' Report (continued)

### USA is a key market

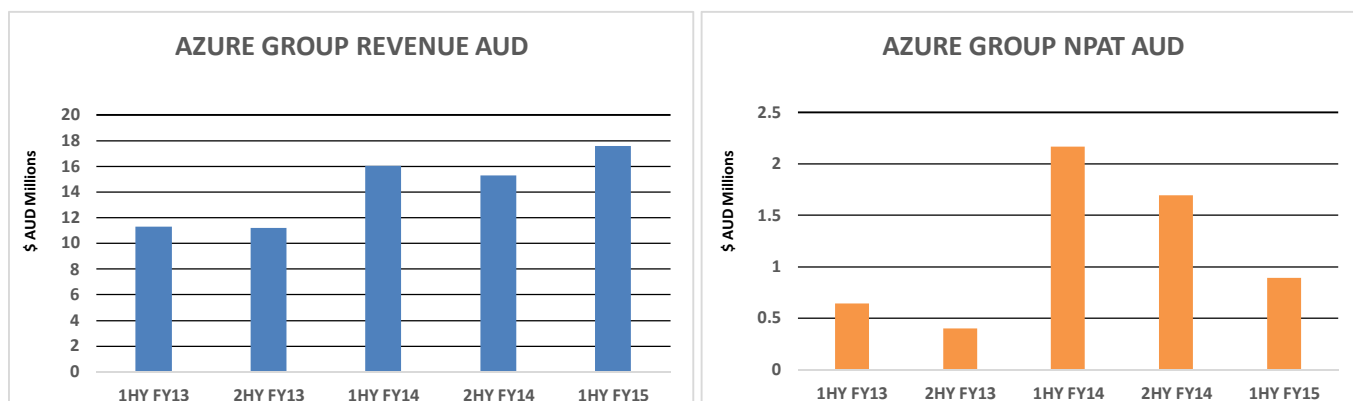
The business continues to increase sales year-on-year, in particular in the US market.

The Azure Group now has its products installed in more than 8,500 sites globally. This footprint of installed Nurse call systems is one of the largest in the world and enables us to leverage off our existing relationships and create further opportunities emerging from the rapid increase in clinical workflow requirements in the Healthcare sector.

We continue to be excited by the increasing revenue and opportunities within the Clinical workflow space, in particular the US market where we have seen an increasing and rapidly expanding trend toward Clinical workflow integrations which empower health carers with integrated software and mobile solutions. Some of these integration opportunities include Patient Electronic Records, Real-Time Patient Telemetry, Admissions, Discharge and Transfer software, Real Time Location Services, Patient Flow, Touch Tablets, Smart and Wireless telephony.

The Company is now well positioned with UL1069 certification (the North American standard for Hospital Signalling and Nurse Call Equipment) for its 3rd generation Tacera platform and has also registered its healthcare products with the Food and Drug Administration (FDA).

Revenue from ordinary activities increased by 9.5% compared to the previous corresponding period whilst NPAT declined 58.8% due to the increased investment in R&D and production expenditures mentioned above.



Net profit after tax (NPAT) was \$0.894 million compared to \$2.168 million for the previous corresponding period.

Net Tangible Assets (NTA): Net Tangible Assets have increased from 4.79 cents to 6.31 cents per share, an increase of 31.7%.

Cash and operating cashflow: Cash as at 31 December 2014 was \$3.1 million representing an increase of \$1.5 million or 93.3% compare to 30 June 2014. Operating cashflow was positive \$1.615 million for the 6 months ended 31 December 2014.

Interim Dividend: The directors have not declared an interim dividend as the Company will continue to focus on short-term working capital requirements for production expansion, R&D investment, strategic acquisition opportunities and Group debt reduction.

Operating expenses have increased by 21% over the prior corresponding period largely due to the increase in expenditures in production expansion costs and research & development for our new US facility as outlined above.

### Rounding of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors Report and the Interim Financial Report are rounded off to the nearest thousand dollars.

On behalf of the directors

Mr Robert Grey  
Executive Chairman

Melbourne

Dated 20 February 2015

# Auditor's Independence Declaration



Tel: +61 3 9603 1700  
Fax: +61 3 9602 3870  
www.bdo.com.au

Level 14, 140 William St  
Melbourne VIC 3000  
GPO Box 5099 Melbourne VIC 3001  
Australia

## DECLARATION OF INDEPENDENCE BY SIMON SCALZO TO THE DIRECTORS OF AZURE HEALTHCARE LIMITED

As lead auditor for the review of Azure Healthcare Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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 period.

A handwritten signature in dark ink, appearing to be 'S Scalzo', with a long horizontal line extending to the right.

Simon Scalzo  
Partner

**BDO East Coast Partnership**

Melbourne, 20 February 2015

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half Year Ended 31 December 2014

|  | Note  | Consolidated Entity<br>31 December 2014<br>\$'000 | 31 December 2013<br>\$'000 |
|--|-------|---|----------------------------|
| Revenue from Continuing Operations                                 | 3     | 17,570  | 16,046                     |
| Cost of Goods Sold   |       | (8,354)   | (6,821)                    |
| Gross Profit   |       | 9,216   | 9,225                      |
| Employee Benefits Expense  |       | (5,535)   | (4,483)                    |
| Motor Vehicle Expenses   |       | (158)   | (138)                      |
| Occupancy Expenses   |       | (486)   | (430)                      |
| Depreciation and Amortisation Expenses                             |       | (253)   | (237)                      |
| Accounting, Audit and Legal Fees                                   |       | (618)   | (406)                      |
| Finance Costs  |       | (42)  | (47)                       |
| Travel Expenses  |       | (561)   | (535)                      |
| Other Expenses   |       | (727)   | (761)                      |
| <b>Profit Before Income Tax from Continuing Operations</b>         |       | 836   | 2,188                      |
| Income Tax Benefit / (Expense)                                     |       | 51  | (20)                       |
| <b>Net profit after tax from Continuing Operations</b>             |       | 887   | 2,168                      |
| Profit after income tax for Discontinued Operations                | 1c, 7 | 7   | -                          |
| <b>Net profit attribute to members of Azure Healthcare Limited</b> |       | 894   | 2,168                      |
| <b>Other Comprehensive Income</b>                                  |       |   |                            |
| Items that may be reclassified subsequently to profit or loss      |       |   |                            |
| Exchange Differences on Translation of Foreign Operations          |       | 293   | (174)                      |
| <b>Total Comprehensive Income for the Year</b>                     |       | 1,187   | 1,994                      |

|                                    | Cents | Cents |
|------------------------------------|-------|-------|
| <b>Continuing Operations:</b>      |       |       |
| Basic earnings per share           | 0.47  | 1.15  |
| Diluted earnings per share         | 0.47  | 1.15  |
| <b>Discontinued Operations:</b>    |       |       |
| Basic earnings per share           | -     | -     |
| Diluted earnings per share         | -     | -     |
| <b>Overall Earnings per Share:</b> |       |       |
| Basic earnings per share           | 0.47  | 1.15  |
| Diluted earnings per share         | 0.47  | 1.15  |

The accompanying notes form part of these financial statements.



# Consolidated Statement of Financial Position

## As at 31 December 2014

|                                      | Note | Consolidated Entity<br>31 December 2014<br>\$'000 | 30 June 2014<br>\$'000 |
|--------------------------------------|------|---|------------------------|
| <b>Current Assets</b>                |      |   |                        |
| Cash and Cash Equivalents            |      | 3,110   | 1,609                  |
| Trade and Other Receivables          |      | 7,454   | 8,864                  |
| Inventories                          |      | 6,654   | 4,363                  |
| Other Assets                         |      | 1,188   | 1,048                  |
| <b>Total Current Assets</b>          |      | <b>18,406</b>                                     | <b>15,884</b>          |
| <b>Non-Current Assets</b>            |      |   |                        |
| Plant and Equipment                  |      | 954   | 929                    |
| Deferred Tax Assets                  |      | 1,137   | 1,024                  |
| Intangible Assets                    |      | 3,366   | 3,461                  |
| <b>Total Non-Current Assets</b>      |      | <b>5,457</b>                                      | <b>5,414</b>           |
| <b>Total Assets</b>                  |      | <b>23,863</b>                                     | <b>21,298</b>          |
| <b>Current Liabilities</b>           |      |   |                        |
| Trade and Other Payables             |      | 5,909   | 4,404                  |
| Short Term Borrowings                |      | 1,303   | 1,308                  |
| Current Tax Liabilities              |      | 54  | 113                    |
| Provisions                           |      | 819   | 744                    |
| <b>Total Current Liabilities</b>     |      | <b>8,085</b>                                      | <b>6,569</b>           |
| <b>Non-Current Liabilities</b>       |      |   |                        |
| Long Term Borrowings                 |      | 14  | 21                     |
| Deferred Tax Liabilities             |      | 343   | 274                    |
| Provisions                           |      | 78  | 60                     |
| <b>Total Non-Current Liabilities</b> |      | <b>435</b>  | <b>355</b>             |
| <b>Total Liabilities</b>             |      | <b>8,520</b>                                      | <b>6,924</b>           |
| <b>Net Assets</b>                    |      | <b>15,343</b>                                     | <b>14,374</b>          |
| <b>Equity</b>                        |      |   |                        |
| Contributed Equity                   |      | 35,107  | 35,042                 |
| Option Reserves                      | 8    | 16  | 16                     |
| Accumulated Losses                   |      | (19,122)  | (19,733)               |
| Foreign Exchange Reserve             |      | (658)   | (951)                  |
| <b>Total Equity</b>                  |      | <b>15,343</b>                                     | <b>14,374</b>          |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2014

|  | Consolidated Entity |                    |                          |                |               |
|--|---------------------|--------------------|--------------------------|----------------|---------------|
|  | Issued Capital      | Accumulated Losses | Foreign Exchange Reserve | Option Reserve | Total Equity  |
|  | \$'000              | \$'000             | \$'000                   | \$'000         | \$'000        |
| Balance at 1 July 2013   | 35,042              | (23,598)           | (825)                    | 16             | 10,635        |
| Profit after income tax expense for the year                                 | -                   | 2,168              | -                        | -              | 2,168         |
| Other comprehensive income for the year, net of tax                          | -                   | -                  | (174)                    | -              | (174)         |
| Total comprehensive income for the year                                      | -                   | 2,168              | (174)                    | -              | 1,994         |
| <b>Transactions with equity holders in their capacity as equity holders:</b> |                     |                    |                          |                |               |
| Share based payments   | -                   | -                  | -                        | -              | -             |
| Transfer to/from reserves  | -                   | -                  | -                        | -              | -             |
| <b>Balance at 31 December 2013</b>   | <b>35,042</b>       | <b>(21,430)</b>    | <b>(999)</b>             | <b>16</b>      | <b>12,629</b> |
| Balance at 1 July 2014   | 35,042              | (19,733)           | (951)                    | 16             | 14,374        |
| Profit after income tax expense for the year                                 | -                   | 894                | -                        | -              | 894           |
| Other comprehensive income for the year, net of tax                          | -                   | -                  | 10                       | -              | 10            |
| Total comprehensive income for the year                                      | -                   | 894                | 10                       | -              | 904           |
| <b>Transactions with equity holders in their capacity as equity holders:</b> |                     |                    |                          |                |               |
| Issue of shares  | 65                  | -                  | -                        | -              | 65            |
| Transfer to/from reserves  | -                   | (283)              | 283                      | -              | -             |
| <b>Balance at 31 December 2014</b>   | <b>35,107</b>       | <b>(19,122)</b>    | <b>(658)</b>             | <b>16</b>      | <b>15,343</b> |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

## For the Half Year Ended 31 December 2014

|  | Note  | Consolidated Entity<br>31 December 2014<br>\$'000 | 31 December 2013<br>\$'000 |
|--|-------|---|----------------------------|
| <b>CASHFLOWS FROM OPERATING ACTIVITIES</b>                   |       |   |                            |
| Receipts from Customers                                      |       | 18,977  | 14,160                     |
| Payments to Suppliers and Employees                          |       | (17,273)  | (12,185)                   |
| Interest Received  |       | 5   | 4                          |
| Borrowing Costs  |       | (42)  | (47)                       |
| Income Tax Paid  |       | (52)  | (174)                      |
|  | 10    | 1,615   | 1,758                      |
| Net cash used in continuing operations                       |       | 1,615   | 1,758                      |
| Net cash used in discontinued operations                     |       | -   | -                          |
| <b>Net Cash Provided by Operating Activities</b>             |       | 1,615   | 1,758                      |
| <b>CASHFLOWS FROM INVESTING ACTIVITIES</b>                   |       |   |                            |
| Payments for Acquisition of Fixed Assets                     |       | (166)   | (328)                      |
| Proceeds from Liquidations                                   | 1c, 8 | 7   | -                          |
| Other  |       | (17)  | (48)                       |
|  |       | (176)   | (376)                      |
| Net cash used in continuing operations                       |       | (183)   | (376)                      |
| Net cash Provided by discontinued operations                 |       | 7   | -                          |
| <b>Net Cash Used in Investing Activities</b>                 |       | (176)   | (376)                      |
| <b>CASHFLOWS FROM FINANCING ACTIVITIES</b>                   |       |   |                            |
| Proceeds from Issue of Shares                                |       | 65  | -                          |
| Repayment of Borrowings                                      |       | (7)   | (386)                      |
| Payment of Lease and Hire Purchase Liabilities               |       | (6)   | (6)                        |
|  |       | 52  | (392)                      |
| Net cash used in continuing operations                       |       | 52  | (392)                      |
| Net cash (used in) / Provided by discontinued operations     |       | -   | -                          |
| <b>Net Cash Provided by / (Used in) Financing Activities</b> |       | 52  | (392)                      |
| <b>Net Increase in Cash Held</b>                             |       | 1,491   | 990                        |
| Cash and Cash Equivalents at Beginning of Year               |       | 1,609   | 2,068                      |
| Effects of Exchange Rate Changes in Cash                     |       | 10  | (173)                      |
| Cash and Cash Equivalents at End of Year                     |       | 3,110   | 2,885                      |

The accompanying notes form part of these financial statements.

# Notes to the Consolidated Financial Statements

## Note 1. Basis of Preparation

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

### (a) Basis of Preparation

The half year consolidated financial report is a general purpose financial report which have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in annual financial report and shall be read in conjunction with the most recent annual financial report.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Azure Healthcare Limited and its controlled entity (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the half-year.

### (b) Financial Assets and Liabilities

Financial assets and liabilities of the Group are recognised in the statement of financial position at their fair values in accordance with accounting policies set out in the 30 June 2014 financial report. In all instances the fair value of financial assets and financial liabilities approximates to their carrying value.

### (c) Update on Liquidation of TSV Australia Pty Ltd

The Directors are pleased to report that the liquidation of the Australian contracting division TSV Australia Pty Ltd was finalised on 26 June 2014 with a final creditors meeting on that date. The liquidation process facilitated a further minor debt reduction for the Group of \$7,000 in the 2014 financial year. There is no materially adverse impact to the remaining Azure Group.

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

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has not had any material impact on the consolidated entity.

### (e) Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors Report and the Interim Financial Report are rounded off to the nearest thousand dollars.

## Note 2. Dividends

The company resolved not to declare any dividends in the period ended 31 December 2014.

## Note 3. Revenue

|  | 31 December 2014<br>\$'000 | 31 December 2013<br>\$'000 |
|--|----------------------------|----------------------------|
| <b>Revenue from Operating Activities</b> |                            |                            |
| Sales Revenue                            | 17,565                     | 16,042                     |
| Interest                                 | 5                          | 4                          |
|  | <b>17,570</b>              | <b>16,046</b>              |

# Notes to the Consolidated Financial Statements

(continued)

## Note 4. Segment Information

Management has determined the operating segments based upon reports reviewed by the board and executive management that are used to make operational and strategic decisions. The group is organised into major operating divisions, healthcare which has four geographic segments. These segments are the basis on which the Group reports its segment information.

### Healthcare

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

|                         | -----Healthcare-----                |                |                  |                         |               | Eliminations   |              |               |
|-------------------------|-------------------------------------|----------------|------------------|-------------------------|---------------|----------------|--------------|---------------|
|                         | Austco<br>Australia /<br>Sedco / NZ | Austco<br>Asia | Austco<br>Europe | Austco<br>North America | Total         | Inter company  | Corporate    | Group Total   |
|                         | \$'000                              | \$'000         | \$'000           | \$'000                  |               | \$'000         | \$'000       | \$'000        |
| <b>31 December 2014</b> |                                     |                |                  |                         |               |                |              |               |
| Revenue - external      | 6,342                               | 1,708          | 1,387            | 8,128                   | 17,565        | -              | -            | 17,565        |
| Revenue - intersegment  | 2,624                               | 5              | -                | 1,623                   | 4,252         | (4,252)        | -            | -             |
| Interest Revenue        | 29                                  | -              | -                | -                       | 29            | (24)           | -            | 5             |
| <b>Total Revenue</b>    | <b>8,995</b>                        | <b>1,713</b>   | <b>1,387</b>     | <b>9,751</b>            | <b>21,846</b> | <b>(4,276)</b> | <b>-</b>     | <b>17,570</b> |
| Adj EBITDA              | 801                                 | (204)          | 99               | 557                     | 1,253         | (75)           | (52)         | 1,126         |
| Depreciation            | (56)                                | (21)           | (12)             | (50)                    | (139)         | -              | (2)          | (141)         |
| Amortisation            | (112)                               | -              | -                | -                       | (112)         | -              | -            | (112)         |
| <b>EBIT</b>             | <b>633</b>                          | <b>(225)</b>   | <b>87</b>        | <b>507</b>              | <b>1,002</b>  | <b>(75)</b>    | <b>(54)</b>  | <b>873</b>    |
| Interest                | (2)                                 | -              | -                | (22)                    | (24)          | 21             | (35)         | (38)          |
| Income Tax              | 73                                  | -              | -                | 7                       | 80            | -              | (28)         | 52            |
| <b>NPAT</b>             | <b>704</b>                          | <b>(225)</b>   | <b>87</b>        | <b>492</b>              | <b>1,058</b>  | <b>(54)</b>    | <b>(117)</b> | <b>887</b>    |
| <b>31 December 2013</b> |                                     |                |                  |                         |               |                |              |               |
| Revenue                 | 11,010                              | 1,626          | 1,156            | 6,120                   | 19,912        | (3,870)        | -            | 16,042        |
| Interest Revenue        | 27                                  | -              | -                | -                       | 27            | (24)           | 1            | 4             |
| <b>Total Revenue</b>    | <b>11,037</b>                       | <b>1,626</b>   | <b>1,156</b>     | <b>6,120</b>            | <b>19,939</b> | <b>(3,894)</b> | <b>1</b>     | <b>16,046</b> |
| Adj EBITDA              | 2,434                               | (83)           | 21               | 136                     | 2,508         | (64)           | 24           | 2,468         |
| Depreciation            | (56)                                | (21)           | (14)             | (28)                    | (119)         | -              | (6)          | (125)         |
| Amortisation            | (112)                               | -              | -                | -                       | (112)         | -              | -            | (112)         |
| <b>EBIT</b>             | <b>2,266</b>                        | <b>(104)</b>   | <b>7</b>         | <b>108</b>              | <b>2,277</b>  | <b>(64)</b>    | <b>18</b>    | <b>2,231</b>  |
| Net Interest            | 2                                   | -              | -                | (19)                    | (17)          | 17             | (43)         | (43)          |
| Income Tax              | (13)                                | -              | (2)              | (2)                     | (17)          | -              | (3)          | (20)          |
| <b>NPAT</b>             | <b>2,255</b>                        | <b>(104)</b>   | <b>5</b>         | <b>87</b>               | <b>2,243</b>  | <b>(47)</b>    | <b>(28)</b>  | <b>2,168</b>  |
| Segment Assets          |                                     |                |                  |                         |               |                |              |               |
| 31/12/2013              | 19,528                              | 1,271          | 1,475            | 6,410                   | 28,684        | (27,222)       | 18,149       | 19,611        |
| 31/12/2014              | 21,324                              | 1,769          | 1,580            | 12,376                  | 37,049        | (31,140)       | 17,954       | 23,863        |
| Segment Liabilities     |                                     |                |                  |                         |               |                |              |               |
| 31/12/2013              | 6,369                               | 1,047          | 538              | 8,624                   | 16,578        | (10,934)       | 1,338        | 6,982         |
| 31/12/2014              | 5,969                               | 1,368          | 410              | 14,484                  | 22,231        | (15,014)       | 1,303        | 8,520         |

# Notes to the Consolidated Financial Statements

(continued)

## Note 4. Segment Information (continued)

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

### Results of Segments

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

### Inter-segment pricing

Segment revenues, expenses and result include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the economic entity at arm's length. These transfers are eliminated on consolidation.

## Note 5. Contingent Liabilities and Assets

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

## Note 6. Profit/(Loss) per Share

|   | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
|   | cents            | cents            |
| <b>Continuing Operations:</b>   |                  |                  |
| Basic earnings per share  | 0.47             | 1.15             |
| Diluted earnings per share  | 0.47             | 1.15             |
| <b>Discontinued Operations:</b>   |                  |                  |
| Basic earnings per share  | -                | -                |
| Diluted earnings per share  | -                | -                |
| <b>Overall Earnings per Share</b>   |                  |                  |
| Basic earnings per share  | 0.47             | 1.15             |
| Diluted earnings per share  | 0.47             | 1.15             |
| a) Net Profit/(Loss) used in the calculation of basic and diluted loss per share  |                  |                  |
|   | \$'000           | \$'000           |
| Continuing Operations   | 887              | 2,168            |
| Discontinued Operations   | 7                | -                |
| Overall Earnings per Share  | 894              | 2,168            |
|   | No.              | No.              |
| b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share | 189,711,544      | 189,312,544      |

Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. Where dilutive, potential ordinary shares are included in the calculation of diluted loss per share. All the options on issue do not have the effect to dilute the loss per share. Therefore they have been excluded from the calculation of diluted loss per share.

## Note 7. Net Tangible Assets

|                             | 31 December 2014 | 30 June 2014 |
|-----------------------------|------------------|--------------|
|                             | \$'000           | \$'000       |
| Net Tangible Assets         | 11,977           | 7,005        |
|                             | No.              | No.          |
| Shares                      | 189,711,544      | 189,312,544  |
|                             | Cents            | Cents        |
| Net Tangible Assets (cents) | 6.31             | 3.70         |

# Notes to the Consolidated Financial Statements

(continued)

## Note 8. Discontinued Operations

Former wholly controlled entities noted below were placed into Voluntary Administration by the Directors of those companies on 30 June 2011 and during a meeting of creditors held on 4 August 2011, creditors voted that all these Companies be placed into liquidation. These companies were accounted for as discontinued operations and deconsolidated as of 30 June 2011 due to loss of control. The final liquidator's report is expected to be released by 31 December 2013. Directors believe that unsecured creditors of the subsidiaries listed below are not expected to receive any monies from the liquidators.

Amatec Communications Pty Ltd  
Calltec(Vic) Pty Ltd  
Tecsound (NSW) Pty Ltd  
Tecsound (SA) Pty Ltd  
Tecsound (West Australia) Pty Ltd  
Tecsound QLD Pty Ltd  
TSV Australia Pty Ltd  
Tecall Pty Ltd

Financial information relating to the discontinued operations was as follows;

|   | 31 December 2014<br>\$'000 | 31 December 2013<br>\$'000 |
|---|----------------------------|----------------------------|
| Liquidation Distributions                                       | 7                          | -                          |
| Expenses  | -                          | -                          |
| Loss before income tax  | 7                          | -                          |
| Income tax expense  | -                          | -                          |
| Loss after income tax of discontinued operations                | 7                          | -                          |
| Loss on removal of discontinued operations from economic entity | -                          | -                          |

## Note 9. Option Reserve

|   | 31 December 2014<br>\$'000 | 30 June 2014<br>\$'000 |
|---|----------------------------|------------------------|
| Opening Balance                                   | 16                         | 16                     |
| Share based payments                              | -                          | -                      |
| Expired options transferred to accumulated losses | -                          | -                      |
|   | 16                         | 16                     |

## Note 10. Operating Cashflow Information

Operating cashflows were positive \$1.615 million for the 6 months ended 31 December 2014 compared to the previous corresponding period of \$1.758 due to invest more in R&D and Manufacture in US. Cashflow from investing activities recorded negative \$0.175 million as the Company invested in fixed assets for the USA production facility rollout.

## Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 14 are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in grey ink, appearing to read 'R Grey', is written over a light grey horizontal line.

Mr Robert Grey  
Executive Chairman

Melbourne  
Dated 20 February 2015



# Independent Auditor's Review Report



Tel: +61 3 9603 1700  
Fax: +61 3 9602 3870  
www.bdo.com.au

Level 14, 140 William St  
Melbourne VIC 3000  
GPO Box 5099 Melbourne VIC 3001  
Australia

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azure Healthcare Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Azure Healthcare Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Azure Healthcare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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

BDO East Coast Partnership ABN 83 236 983 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

# Independent Auditor's Review Report

(continued)



## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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*

**BDO East Coast Partnership**

A stylized signature of the BDO East Coast Partnership, featuring the letters 'BDO' in a cursive, handwritten style.

A handwritten signature of Simon Scalzo, consisting of a large, fluid 'S' followed by 'calzo'.

Simon Scalzo  
Partner

Melbourne, 20 February 2015