Appendix 4D

Name of Entity:	**PARAGON CARE LIMITED**
ABN:	**76 064 551 426**
Reporting Period:	**Financial Half Year ended 31 Dec 2015**
Previous corresponding Period:	**Financial Half Year ended 31 Dec 2014**

Results for Announcement to the Market

	Half Year End 31st Dec 2015 $	Half Year End 31st Dec 2014 $	Variance %
Revenue from continuing operations	38,366,806	13,462,787	185%
Other Revenue	58,684	37,762	55%
Profit after tax from continuing operations	2,640,993	839,206	215%
Earning per share (cents)	2.38	1.27	87%
Net Tangible assets per share (cents)	(6.0)	2.3	N/A
* Weighted Average Number of issued shares	110,736,988	66,192,249	

Dividends

The company has declared a fully franked interim dividend of 0.8 cents per ordinary share, which represents 48% payout of NPAT which is at the high end of 40% to 50% company's dividend payment policy, to be paid on 6th April 2016 in respect of the financial half year ended 31 December 2015. The dividend will be paid to all shareholders on the register of members as at the Record Date of 10 March 2015.

A final dividend of 0.8 cents per share fully franked was paid in September 2015. The record date was 31st August 2015 with the payment date of 18th September 2015.

Dividend Reinvestment Plan

Paragon Care operates a dividend reinvestment plan (DRP) that enables shareholders to elect to reinvest all, or up to a portion of, their dividends into additional shares in Paragon. The DRP will be available for the final dividend. Shares will be issued at a discount of 5% to the volume weighted average market price of shares sold on the ASX over the 5 trading days immediately preceding the record date.

Name of Entity:	**PARAGON CARE LIMITED**
ABN:	**76 064 551 426**

SUMMARY RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Half Year End 31st Dec 2015 $	Half Year End 31st Dec 2014 $	Variance %
Revenue from continuing operations	**38,366,806**	**13,462,787**	**185%**
Cost of Sales	(23,521,680)	(6,664,357)	253%
Gross Profit	**14,845,126**	**6,798,430**	**118%**
Gross Profit Margin %	39%	50%	
Other Income	58,684	37,762	55%
Operating Expenses	(10,317,565)	(5,233,915)	97%
Earnings before interest, tax and depreciation (EBITDA)	**4,586,245**	**1,602,277**	**186%**
Depreciation and Amortisation	(321,413)	(154,493)	108%
Earnings before interest and tax (EBIT)	**4,264,832**	**1,447,784**	**195%**
Interest Expense	(540,964)	(313,845)	72%
Profit Before Tax	**3,723,868**	**1,133,940**	**228%**
Tax Expense	(1,082,875)	(294,733)	267%
Profit/loss after tax	**2,640,993**	**839,206**	**215%**

Consolidated Financial Statements

This report is based on the attached financial report which has been independently reviewed. The attached financial report is not subject to a qualified review statement.

PARAGON CARE LIMITED

AND CONTROLLED ENTITIES

ABN: 76 064 551 426

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2015

Paragon Care Limited
ABN: 76 064 551 426

Directors' Report
For the Half-Year Ended 31 December 2015

Your directors present their report on the consolidated entity consisting of Paragon Care Limited and the entities it controlled at the end of and during the half year ended 31 December 2015.

DIRECTORS

The names of the Paragon Care Limited ("Paragon Care") Directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Mr Shane Tanner
Mr Mark Simari
Mr Michael Newton
Mr Brett Cheong

PRINCIPAL ACTIVITY

The principal continuing activity of the consolidated entity is the supply of durable medical equipment, devices and consumable medical products to hospitals, medical centres and aged care facilities.

Revenue and Earnings

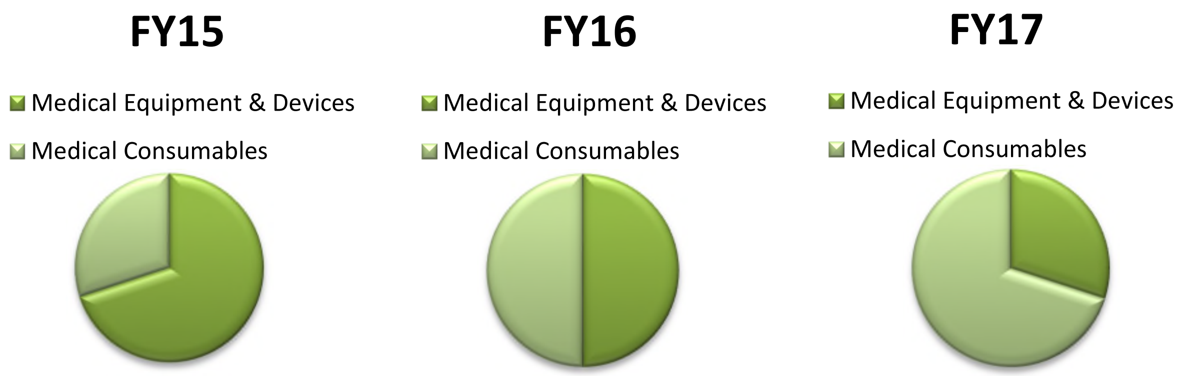
The Company's revenue was $38.4m for the six months ended 31 December 2015, up 185% over the prior corresponding period. EBITDA for the half year was $4.6m, representing a 186% increase over the prior corresponding period and NPAT was $2.6m, a 209% increase over the prior corresponding period.

This result demonstrates the underlying strength in the business with a significant increase in revenue and earnings driven by good underlying performance combined with a full half year of earnings from the Scanmedics business acquired in October 2014, and with the solid contribution from the newly acquired Meditron, Designs For Vision and Western Biomedical businesses acquired in October 2015.

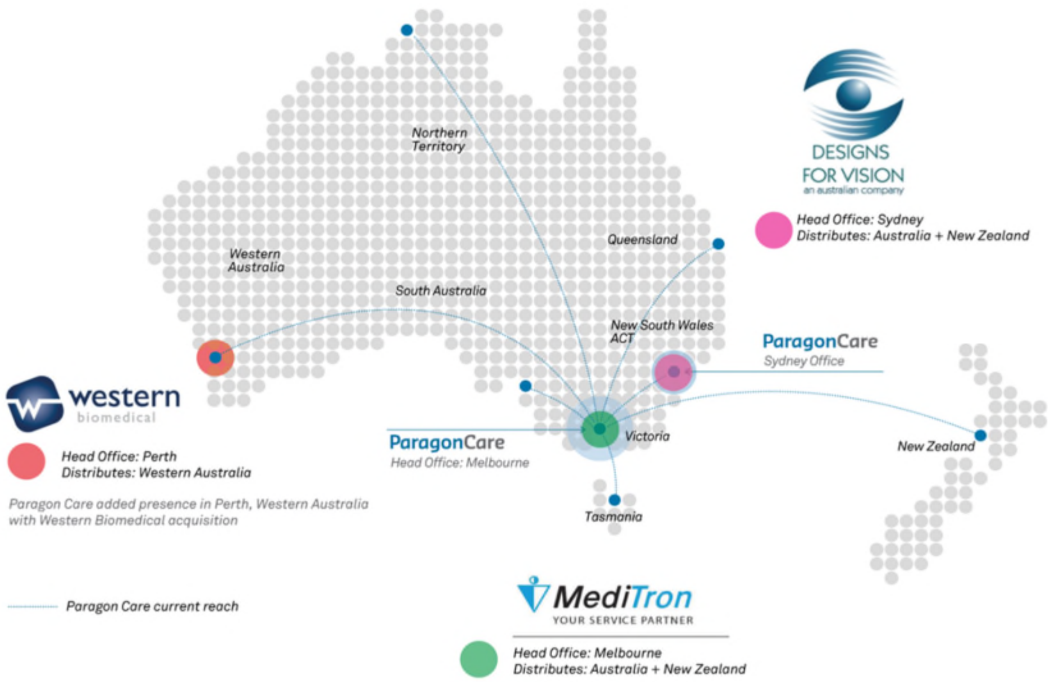
While the Company continues to generate revenue from capital equipment sales, the successful integration of Scanmedics and the introduction of the Meditron, Designs for Vision and Western Biomedical businesses have altered the Company's product mix to increase the proportion of the group's revenue being generated from the medical consumables business.

This is a positive development for shareholders given the medical consumables business provides stable revenues with less variability in sales volumes from period to period. However the consumables business has lower gross margins compared to the equipment and devices business which is evidenced by the gross margin dropping from around 50% to 39%; however the gross profit has grown by 118% to $14.8m.

Importantly, FY17 will see the first full year revenue contribution from the newly acquired businesses and the product mix should settle towards 70% consumable and 30% capital and devices.



The strong half year result includes the benefits gained from Paragon's strategy of consolidating all business activities into central distribution centres. This includes the newly renovated Scoresby office and warehouse complex in Victoria, the Chatswood office and warehouse complex in New South Wales, and the Western Biomedical office and warehouse complex in Osborne Park in Western Australia.



All of Paragon's businesses continue to be integrated onto the Company's enterprise resource planning platform (ERP), SAP. This allows the Company to roll out new functionalities that improve efficiencies and deliver high levels of customer service and satisfaction. The SAP platform also provides increased transactional and operational efficiency, while enabling smoother integration of newly acquired businesses.

Paragon Care Limited
ABN: 76 064 551 426

Directors' Report
For the Half-Year Ended 31 December 2015

Paragon Care acquired the Meditron, Designs for Vision and Western Biomedical businesses in October 2015 using a combination of bank financing and an equity raising, via a rights issue and institutional placement. The addition of these businesses has transformed the Company into a key player within the Australian medical equipment, devices and consumables market and has seen the Company's market capitalisation around $100 million.

During the first half we established a strong banking relationship with the National Australia Bank through new debt finance facilities and a partnership to deliver more efficient transactional interfaces with customers and suppliers in line with our unified SAP platform. The results of this work should start to be seen across this calendar year.

During this first half year, cash flow from operations has been impacted by a once-off imbalance between operating payment and collections largely due to the net assets acquired in the recent acquisitions included assets with slower rates of conversion to cash than liabilities requiring payment. Whilst this is not unusual, the size of the net assets acquired in these acquisitions ($11.67 million), has meant that this once-off impact has reduced cash flow from operations in this first half by $1.8 million. In addition there has been a further $1 million increase in inventories which has again reduced operating cash flows in the first half. Despite this, the Company has still recorded positive operating cash flow of $0.25 million; albeit this was $1.8 million lower than in the first half of the last year and lower than expected on current earnings. The conversion of earnings to cash will improve in the second half of this year as anticipated sales are achieved and as the acquired businesses are integrated into the company's tighter cash management regime.

The Company will deliver strong growth over the previous financial year and this trend will continue into the next financial year as the Company enjoys a full year of earnings from the recently acquired businesses. The health care industry continues to provide a lucrative market within which the Company can achieve strong growth in earnings and dividends. Importantly, our product offering insulates us from some of the short-term regulatory risk seen in other parts of the sector.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Signed in accordance with a resolution of the Directors.

S.F. Tanner
Chairman
8 February 2016

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Paragon Care Limited for the half year ended 31 December 2015, 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, VIC
8 February 2016

Paragon Care Limited
ABN: 76 064 551 426

Condensed Consolidated Statement of Comprehensive Income
For the Half-Year Ended 31 December 2015

	31-Dec 2015	31-Dec 2014
Revenue	38,366,806	13,462,787
Cost of sales	(23,521,680)	(6,664,357)
Gross profit	14,845,126	6,798,430
Other revenue	58,684	37,762
Operating costs	(2,640,044)	(1,328,503)
Corporate costs	(341,119)	(111,154)
Finance costs	(540,964)	(313,845)
Selling and distribution	(528,331)	(93,313)
Employee and consultants costs (incl. directors fees and renumeration)	(7,129,484)	(3,855,439)
Profit/(loss) before tax	3,723,868	1,133,939
Income tax expense	1,082,875	294,733
Profit for the period	2,640,993	839,206
Other comprehensive income		
Gain (loss) on cash flow hedges	(281,819)	463,729
Other comprehensive income for the period, net of tax	**(281,819)**	**463,729**
Total comprehensive income for the period	2,359,174	1,302,935
Profit for the period attributable to:		
Owners of the parent	2,640,993	839,206
	2,640,993	839,206
Total comprehensive income for the period attributable to:		
Owners of the parent	2,359,174	1,302,935
	2,359,174	1,302,935
Earnings per share		
Basic (cents per share)	2.38	1.27
Diluted (cents per share)	2.38	1.27

Note: EPS calculated using the weighted average shares on issue during the period of 110,736,988 shares.

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

Paragon Care Limited
ABN: 76 064 551 426

Condensed Consolidated Statement of Financial Position
For the Half-Year Ended 31 December 2015

	31-Dec 2015	30-Jun 2015
ASSETS		
Current assets		
Cash and cash equivalents	12,288,509	3,755,847
Inventories	22,741,772	8,413,501
Trade and other receivables	18,027,614	7,139,034
Other financial assets	-	264,056
Total current assets	53,057,895	19,572,438
Non-current assets		
Plant and equipment	2,988,619	1,193,537
Deferred tax assets	1,863,917	834,280
Intangibles	78,899,288	18,985,712
Total non-current assets	83,751,824	21,013,529
TOTAL ASSETS	136,809,719	40,585,967
LIABILITIES		
Current liabilities		
Trade and other payables	19,364,854	6,278,612
Interest bearing liability	5,172,890	5,522,627
Other financial liabilities	40,046	-
Current tax liabilities	1,122,987	568,217
Provisions	1,710,544	786,317
Total current liabilities	27,411,321	13,155,773
Non-current liabilities		
Other payables	8,413,815	67,605
Interest bearing liability	31,277,832	6,730,236
Provisions	394,796	48,771
Total non-current liabilities	40,086,443	6,846,612
TOTAL LIABILITIES	67,497,764	20,002,385
NET ASSETS	69,311,955	20,583,582
Equity		
Contributed equity	70,520,783	23,611,121
Reserves	(17,763)	264,056
Accumulated losses	(1,191,065)	(3,291,595)
TOTAL EQUITY	69,311,955	20,583,582

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

Paragon Care Limited
ABN: 76 064 551 426

Condensed Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2015

	Share capital	Currency Translation Reserve	Currency Hedge Reserve	Accumulated losses	Total equity
As at 1 July 2014	22,808,822	-	(113,938)	(4,486,619)	18,208,265
Profit / (Loss) for half year	-	-	-	839,206	839,206
Gain / (loss) on cashflow hedge	-	-	463,729	-	463,729
Total comprehensive income for the half year	**-**	**-**	**463,729**	**839,206**	**1,302,935**
Dividends Paid	-	-	-	(503,593)	(503,593)
Issue of share capital	736,026	-	-	-	736,026
As at 31 December 2014	**23,544,848**	**-**	**349,791**	**(4,151,006)**	**19,743,634**
As at 1 July 2015	23,611,121	-	264,056	(3,291,595)	20,583,582
Profit / (Loss) for half year	-	-	-	2,640,993	2,640,993
Gain / (loss) on cashflow hedge	-	-	(304,102)	-	(304,102)
Gain / (loss) on currency translation	-	22,283	-	-	22,283
Total comprehensive income for the half year	**-**	**22,283**	**(304,102)**	**2,640,993**	**2,359,174**
Dividends Paid	-	-	-	(540,463)	(540,463)
Issue of share capital net of transaction costs	46,909,662	-	-	-	46,909,662
As at 31 December 2015	**70,520,783**	**22,283**	**(40,046)**	**(1,191,065)**	**69,311,955**

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

Paragon Care Limited
ABN: 76 064 551 426

Condensed Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2015

	31-Dec 2015	31-Dec 2014
Cash flows from operating activities		
Receipts from customers	35,372,474	13,482,355
Payments to suppliers and employees	(33,535,385)	(10,950,964)
Interest and other items of similar nature paid	(540,964)	(313,845)
Interest received	51,087	19,942
Income tax paid	(1,092,485)	(145,090)
Net cash provided by / (used in) operating activities	254,727	2,092,398
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	(55,213,428)	(5,878,306)
Payment for plant and equipment and intangible assets	(1,395,116)	(657,217)
Proceeds from sale of plant and equipment	155,206	82,593
Net cash provided by / (used in) investing activities	(56,453,338)	(6,452,930)
Cash flows from financing activities		
Proceeds from issue of shares	42,661,932	-
Proceeds from borrowings	25,472,859	5,315,940
Repayment of borrowings	(77,106)	(200,846)
Dividends paid	(540,463)	(412,845)
Share issue expenses	(2,785,949)	-
Net cash provided by / (used in) financing activities	64,731,273	4,702,249
Net increase / (decrease) in cash and cash equivalents	8,532,662	341,717
Cash and cash equivalents at the beginning of the financial year	3,755,847	2,820,379
Cash and cash equivalents at the end of the financial period	12,288,509	3,162,096

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

Paragon Care Limited
ABN: 76 064 551 426

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2015

Note 1 Summary of significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report for the year ended 30 June 2015.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015.

Note 2 Segment information

Management has determined the operating segments based on the reports reviewed by the board of directors. The board of directors considers the business from both a product and a geographic perspective and has determined the Group operates in only one reportable segment – Medical Equipment. The Medical Equipment segment provides durable medical products, devices and consumable medical products to the hospitals, medical centres and aged care facilities.

Note 3 Critical accounting estimate and assumptions

The Group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial years, are discussed below:

Impairment of goodwill

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Note 3 Critical accounting estimate and assumptions (cont.)

Impairment of goodwill

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for the Group's businesses based in Australia, growth rates of 5% have been factored into valuation models for the next five years. This is on the basis of management's expectations of increased government expenditure in both the acute and aged care market sectors, much of which has already been publicly announced, and their belief in the Group's continued ability to capture a significant share of this expenditure. The rate used incorporate allowance for inflation.

Pre-tax discount rates of 11.5% have been used in the model. No impairment has been recognised in respect of goodwill at the end of the reporting period.

Note 4 Contingent liabilities

Since the last annual reporting date, the company has a new $282,480 bank guarantee with respect to the new Scoresby premises; otherwise there has been no material change of any contingent liabilities or contingent assets.

Note 5 Subsequent events

The company has declared an interim dividend of 0.8 cents per ordinary share, to be paid on 6th April 2016 in respect of the financial half year ended 31 December 2015. The dividend will be paid to all shareholders on the register of members as at the Record Date of 10 March 2015 and represents a 33% increase over prior corresponding period.

No other matters or circumstances have arisen since the half year ended 31 December 2015 that significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

NOTE 6 Contributed Equity

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

Date		Shares	$
30 Jun 15	**Balance**	**67,558,422**	**23,611,121**
18 Sep 15	Issue of shares pursuant to the company's dividend re-investment plan price of $0.646 per share	128,237	82,841
06 Oct 15	Placement to sophisticated and professional investors at issue price of $0.53 per share.	66,825,863	35,417,708
06 Oct 15	Issue of shares as part repayment of third party loan at issue price of $0.53 per share	2,260,178	$1,197,894
06 Oct 15	Issue of shares under company's rights issue at issue price of $0.53 per share.	13,512,044	7,161,383
08 Oct 15	Issue of shares as part consideration for acquisition of Meditron Pty Ltd at issue price of $0.53 per share.	1,886,792	1,000,000
09 Oct 15	Issue of shares as part consideration for acquisition of Designs for Vision at issue price of $0.53 per share.	7,547,170	4,000,000
31 Dec 15	Accumulated share issue costs incurred during the half year (net of tax)		(1,950,163)
31 Dec 15	**Closing Balance**	**159,718,706**	**70,520,783**

NOTE 7 Business Combinations

Summary of business combinations during the period:

	Western Biomedical	Meditron	Designs for Vision	Total
	$	$	$	$
Purchase consideration - cash	29,278,554	6,189,164	21,872,440	57,340,158
Purchase consideration - contingent	3,010,279	800,000	5,261,370	9,071,649
Purchase consideration - shares	-	1,000,000	4,000,000	5,000,000
	32,288,833	7,989,164	31,133,810	71,411,807
Net working capital	1,748,537	3,122,791	7,036,141	11,907,469
Plant and equipment	404,935	176,030	128,433	709,398
Employee entitlements	(226,698)	(394,216)	(737,401)	(1,358,315)
Deferred tax asset	77,459	118,265	221,220	416,944
Goodwill on consolidation	30,284,600	4,966,294	24,485,417	59,736,311
	32,288,833	7,989,164	31,133,810	71,411,807
Reconciliation to cashflow				
Purchase consideration	32,288,833	7,989,164	31,133,810	71,411,807
Conditional payment	(3,010,279)	(800,000)	(5,261,370)	(9,071,649)
Equity funding	-	(1,000,000)	(4,000,000)	(5,000,000)
Net outflow of cash	29,278,554	6,189,164	21,872,440	57,340,158

Western Biomedical Pty Ltd

On 15th of October 2015 the Company acquired 100% of the shares in Western Biomedical Pty Ltd. Operating since 1978, Western Biomedical is the leading supplier of medical and surgical products/consumables to hospitals and specialists in Western Australia. Western Biomedical can now expand its portfolio nationally via Paragon's existing sales and distribution channels. Paragon now has a platform for a direct to market strategy for the West Australian health and aged care sectors. Paragon has inherited a highly skilled and experienced management team.

Purchase consideration

		$
Cash and Cash Equivalents		29,278,554
Contingent Consideration	(a)	3,010,279
		32,288,833

Note 7 Business Combinations (cont)

Western Biomedical Pty Ltd (cont)

Fair value and carrying value of net assets acquired

Net working capital	1,748,537
Plant and equipment	404,935
Employee Entitlements	(226,698)
Deferred Tax Asset	77,459
Goodwill on consolidation	30,284,600
	32,288,833

Reconciliation to cashflow

Consideration of purchase	32,288,833
Conditional Payment Due Sept 2017	(3,010,279)
Net outflow of cash	29,278,554

(a) The vendors are entitled to a payment of 2 times the EBITDA growth between FY15 and FY17. The payment is uncapped, its likely range is anticipated to be between $3 million and $6 million.

Impact of acquisition on the results of the Group

As the acquisition of Western Biomedical Pty Ltd occurred on 15 October 2015 the revenue and profit of the Group for the half year ended 31 December 2015 reflects trading for 15 October to 31 December 2015 of the acquired business.

AASB 3 Business Combinations requires disclosure of revenue and profit and loss of the acquired entity from date of acquisition, and disclosure of revenue and profit and loss of the consolidated entity for the current reporting period as though the acquisition date for all business combinations had been as of 1 July 2015. However, management has determined that this is impracticable after considering the various factors contained within the definitions contained within paragraph 5 (a) through to (c) (inclusive) of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors to the pre-acquisition operating environment of each acquisition.

Provisional amounts

As the acquisition has only recently occurred the numbers presented for Net working capital, Plant and equiment, Employee Entitlements, Deferred Tax Asset and Goodwill on consolidation, including the estimate of vendor earnout are presented as provisional amounts pending the completion of the fair valuation of assets acquired and forecasting of earnings for Financial year 2017.

Note 7 Business Combinations (cont.)

Meditron Pty Ltd

On 1st Oct 2015 the Company acquired 100% of the shares in Meditron Pty Ltd. Meditron specialises in the sales and servicing of premium medical devices in the urology and ultrasound markets. Meditron is the Australia and New Zealand distributor for international brands including Dornier Med Tech, Civco, D+K Technologies and Sonacare. Meditron has an established customer base, deep industry knowledge and contacts and operates with positive cash flow at healthy margins.

Purchase consideration

	$
Cash and Cash Equivalents	6,189,164
Contingent Consideration (a)	800,000
Ordinary share in PGC 1,886,792 @ 53 cents	1,000,000
	7,989,164

Fair value and carrying value of net assets acquired

	$
Net working capital	3,122,791
Plant and equipment	176,030
Employee Entitlements	(394,216)
Deferred Tax Asset	118,265
Goodwill on consolidation	4,966,294
	7,989,164

Reconciliation to cashflow

	$
Consideration of purchase	7,989,164
Conditional Payment Due Sept 2016	(800,000)
Equity Funding	(1,000,000)
Net outflow of cash	6,189,164

(a) The vendors are entitled to a payment of 2 times the EBITDA growth between FY15 and FY16. The payment is capped at $800,000; its likely range is anticipated to be between $500,000 and $800,000.

Impact of acquisition on the results of the Group

As the acquisition of Meditron Pty Ltd occurred on 1 October 2015 the revenue and profit of the Group for the half year ended 31 December 2015 reflects trading for 1 October to 31 December 2015 of the acquired business.

Note 7 Business Combinations (cont.)

Meditron Pty Ltd (cont)

Impact of acquisition on the results of the Group (cont)

AASB 3 Business Combinations requires disclosure of revenue and profit and loss of the acquired entity from date of acquisition, and disclosure of revenue and profit and loss of the consolidated entity for the current reporting period as though the acquisition date for all business combinations had been as of 1 July 2015. However, management has determined that this is impracticable after considering the various factors contained within the definitions contained within paragraph 5 (a) through to (c) (inclusive) of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors to the pre-acquisition operating environment of each acquisition.

Provisional amounts

As the acquisition has only recently occurred the numbers presented for Net working capital, Plant and equiment, Employee Entitlements, Deferred Tax Asset and Goodwill on consolidation, including the estimate of vendor earnout are presented as provisional amounts pending the completion of the fair valuation of assets acquired and forecasting of earnings for Financial year 2016.

Designs For Vision Holdings Pty Ltd

On 1st October 2015 the Company acquired 100% of the shares in Designs For Vision Holdings Pty Ltd, 100% of the units in Designs For Vision unit trust . Designs for Vision specialises in providing products to the ophthalmic and optometry sector. It repesents over 50 global manufacturers in the Australian and NZ markets. It has expanded Paragon's customer base by providing access to the ophthalmic market where there will be growth opportunities for some of Paragon's existing products.

Purchase consideration

	$
Cash and Cash Equivalents	21,872,440
Contingent Consideration (a)	5,261,370
Ordinary share in PGC 7,547,170 @ 53 cents	4,000,000
	31,133,810

Note 7 Business Combinations (cont)

Designs For Vision Holdings Pty Ltd (cont)

Fair value and carrying value of net assets acquired

	$
Net working capital	7,036,141
Plant and equipment	128,433
Employee Entitlements	(737,401)
Deferred Tax Asset	221,220
Goodwill on consolidation	24,485,417
	31,133,810

Reconciliation to cashflow

	$
Consideration of purchase	31,133,810
Conditional Payment Due Sept 2017	(5,261,370)
Equity Funding	(4,000,000)
Net outflow of cash	21,872,440

(a) The vendors are entitled to a payment of 3.5 times the EBITDA growth between FY15 and FY17. The payment is uncapped; its likely range is anticipated to be between $3.5 and $7.5 million.

Impact of acquisition on the results of the Group

As the acquisition of Designs For Vision occurred on 1 October 2015 the revenue and profit of the Group for the half year ended 31 December 2015 reflects trading for 1 October to 31 December 2015 of the acquired business.

AASB 3 Business Combinations requires disclosure of revenue and profit and loss of the acquired entity from date of acquisition, and disclosure of revenue and profit and loss of the consolidated entity for the current reporting period as though the acquisition date for all business combinations had been as of 1 July 2015. However, management has determined that this is impracticable after considering the various factors contained within the definitions contained within paragraph 5 (a) through to (c) (inclusive) of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors to the pre-acquisition operating environment of each acquisition.

Provisional amounts

As the acquisition has only recently occurred the numbers presented for Net working capital, Plant and equiment, Employee Entitlements, the Deferred Tax Asset and Goodwill on consolidation, including the estimate of vendor earnout are presented as provisional amounts pending the completion of the fair valuation of assets acquired and forecasting of earnings for Financial year 2017.

Paragon Care Limited
ABN: 76 064 551 426

Directors' Declaration
For the Half-Year Ended 31 December 2015

The Directors declare that:

1. The financial statements and notes set out on pages 8 to 19 are in accordance with the *Corporations Act 2001*, including;

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

   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance, as represented by the results of its operations, and its cash flows, for the half-year ended on that date; and

2. There are reasonable grounds to believe that Paragon Care Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the directors.

S.F. Tanner
Chairman
8 February 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

PARAGON CARE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Paragon Care Limited which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paragon Care Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Paragon Care Limited 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 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

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R B MIANO
Partner

Melbourne, VIC
8 February 2016