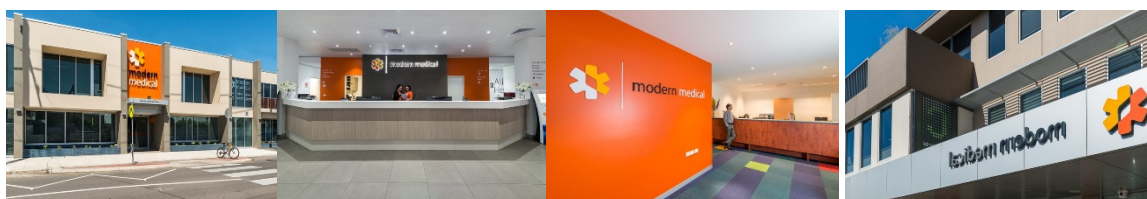




BGD CORPORATION LIMITED



ABN 78 009 074 588

Annual Report

30 June 2016

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BGD CORPORATION LTD

ABN 78 009 074 588

**Consolidated Financial Statements for the Year
Ended 30 June 2016**

DIRECTORS' REPORT

For the year-ended 30 June 2016

Your Directors present their report, together with the financial statements of BGD Corporation Ltd ("the Company" or "BGD") and controlled entities ("the Group") for the financial year ended 30 June 2016.

Directors

The names of the Directors who held office from 1 July 2015 to date of this report, unless otherwise stated, are:

Mr. Shane Tanner – Non-executive Chairman

Mr Jonathan Lim – Executive Director (appointed 11 November 2015)

Dr Todd Cameron – Executive Director (appointed 6 April 2016)

Mr Jeremy Kirkwood – Alternate Director for Dr Todd Cameron (appointed 6 April 2016)

Mr Justin Walter – Managing Director and Chief Executive Officer (appointed 19 September 2016)

Mr Faldi Ismail – Non-executive Director (resigned 6 April 2016)

Mr Craig Higgins – Non-executive Director (resigned 11 November 2015).

Company Secretary

The name of the Company Secretary in office at the end of the financial year is Mr Heath Roberts (appointed 6 July 2015).

Nature of Operations and Principal Activities

During the year the principal continuing activities of the Group consisted of the acquisition and operation of three medical clinics in Melbourne, Victoria; planning for further acquisitions in the healthcare sector; and the disposal of all interests in the Euroa Steel Plant Project Joint Venture ("ESPP") in Gladstone, Queensland.

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2016.

Review of Operations

During the year ended 30 June 2016, the Company undertook a significant change to the nature of its activities by divesting its interest in the ESPP and pursuing a healthcare strategy.

The strategic decision to establish a primary healthcare business in medical general practice, allied health and home care services was made following careful consideration by the Board of the:

- Compelling macroeconomic growth drivers in healthcare including a growing and ageing population and an increased incidence of chronic disease;
- Favourable government funding policies pushing supply from public to private service providers;
- Significant scope for ongoing industry consolidation with incumbent corporate groups accounting for less than 10% of the acquirable market; and the
- Opportunity to provide a differentiated point of care in the clinics by way of acquiring and building integrated medical clinics which house both primary healthcare and a range of allied health services (for example; physiotherapy, mental health and optometry).

This strategy is being implemented through a combination of acquisitions and expansion of service offerings.

On 8 October 2015, the Company entered into a binding Heads of Agreement to acquire certain businesses and assets of Modern Medical Pty Ltd ("MMG"), a leading provider of primary healthcare services ("Modern Medical Transaction").

As part of this strategy the Company also consolidated its shares on a 1 for 3 basis (completed on 15 January 2016) and undertook an equity capital raising of \$4 million, issuing 102,546,103 new shares at an issue price of \$0.039 per share.

DIRECTORS' REPORT

For the year-ended 30 June 2016

Shareholder approval for all actions necessary to implement the Modern Medical Transaction was received on 7 January 2016 and the transaction was completed in April 2016.

Financial Review

Loss from continuing operations

The Group reported revenues of \$1,017,057, up 288% on prior period revenues of \$353,637, and a loss for the year of \$2,323,288, an increase of \$1,067,769 from the prior period loss of \$1,255,519. The current period revenues all relate to the Group's medical centre operations from 1 April 2016 and the prior period revenues all relate to income from the settlement with the previous administrator of the Group.

The loss for the year included acquisition costs of \$804,366 relating to the Modern Medical acquisition, an impairment charge of \$300,000 relating to the impairment of the Group's interest in the ESPP during the year, and administrative costs of \$666,697 relating to business development, company secretarial, ASX and ASIC fees for the year.

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents for the year ended 30 June 2016 of \$795,050 (2015: \$1,196,493). This increase was driven by the equity capital raising of \$4 million during the year and the operating performance of the Modern Medical clinics acquired. Other cash outflows that had a significant impact on the cash position during the year were the Modern Medical acquisition payment of \$1,633,947 and equity capital raising costs of \$467,749.

Included within net operating cash outflows of \$(416,983) are Modern Medical acquisition costs of \$804,366.

Capital structure

Issued equity

The acquisition of the Modern Medical clinics was funded by the issue of 102,546,103 new shares at an issue price of \$0.039 per share to raise \$4 million. Capital raising costs of \$467,749 were incurred.

Pursuant to resolutions passed at Extraordinary General Meeting held on 7 January 2016, a 1:3 share consolidation was effected on 15 January 2016.

Pursuant to the Sale Deed with the vendors of the Modern Medical business, 83,181,818 fully paid ordinary shares were issued at \$0.039 per share on 7 April 2016.

Chattel mortgages

As part of the acquisition of the Modern Medical clinics, chattel mortgage obligations of approximately \$544,000 were assumed. There were no other borrowings for the year.

Modern Medical Transaction

As part of the transaction, the Company acquired two general practice medical clinics operated by MMG in Caroline Springs and Balwyn, Victoria and the administration practice, and options over a further four MMG clinics in Victoria ("Options"). MMG founder, Dr Todd Cameron, joined the BGD board on 6 April 2016, enhancing the board's expertise in the primary healthcare sector.

The Company paid to MMG an upfront purchase price for the Caroline Springs and Balwyn clinics of \$4.9m of which 66% (\$3.244 million) was satisfied by the issue of fully paid ordinary shares in the Company. The Company also assumed obligations under chattel mortgages of approximately \$544,000.

An earn-out may also be payable in March 2017 based on the financial performance of the clinics for the year ending 31 December 2016, 50% of which is to be satisfied by the issue of shares in the Company. In the event that Dr Todd Cameron should leave the business prior to 31 March 2017, the earn-out will not be payable (except in specific circumstances which prevent him from working). The company also secured certain protection rights preventing the founders from committing to similar operations in the relevant areas for a specific period.

As part of the transaction, a fee of \$500,000 was paid by the Company in relation to providing the company an exclusive right to acquire a further four MMG clinics in Victoria. Under an Option Deed the Company agreed to grant the MMG vendors a put option over the clinics and the MMG Vendors agreed to grant a call option to the Company. The Options have been granted in two tranches exercisable prior to March 2018 and March 2019 respectively. The exercise price of the Options is dependent on the financial performance of the clinics in the 12-month period prior to them being exercised.

DIRECTORS' REPORT

For the year-ended 30 June 2016

The Company also entered into a Management Services Agreement in relation to ongoing management and administration services provided to the four clinics retained by the MMG vendors.

Significant Changes in State Of Affairs

During the year ended 30 June 2016, the Company undertook a significant change to the nature of its activities by divesting its interest in the ESPP and pursuing a healthcare strategy.

Shareholder approval was received by the Company in January 2016 to consolidate its shares on a 1 for 3 basis (completed on 15 January 2016) and conduct an equity capital raising of \$4 million to issue 102,546,103 new shares at an issue price of \$0.039 per share.

On 1 April 2016 the Company completed the Modern Medical Transaction.

Events Subsequent to Reporting Date

On 8 August 2016, Mr Glen Dymond joined the Company as Chief Financial Officer.

There has not arisen in the interval between the end of the reporting period and the date of this report any other item, transaction or event of a material or unusual nature not otherwise dealt with in the financial statements, likely in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of the operations or the state of affairs of the Group in future financial years.

Likely Developments

Since completion of the Modern Medical Transaction in April 2016, the Company has continued to develop expansion opportunities and is considering future potential acquisitions for which it has exclusivity arrangements. The Company is currently completing due diligence activities to determine whether to proceed with any of these potential acquisitions or transactions ("Potential Transactions"). The terms of any Potential Transactions are incomplete and neither the Company nor the entities which are the subject of the Potential Transactions are required to proceed to conclusion or would otherwise be in a position to disclose their existence. Accordingly, the Company is not in a position to identify the businesses the subject of the Potential Transactions at the time of this report. The Company expects that completion of the acquisitions would take place late November or early December 2016.

It is the Company's current intention that any Potential Transactions be funded using a combination of debt and new shares in the Company.

The targets of the Potential Transactions collectively provide a comprehensive, preventative care range of healthcare services including primary care services; allied health services including physiotherapy, exercise physiology and dietetics; and 24- hour home-care, nursing, and personal care.

On 22 June 2016, the Australian Securities Exchange ("ASX") confirmed with the Company that if the Company proceeds with an equity capital raising associated with the Potential Transactions, that:

- shareholder approval would be required pursuant to ASX Listing Rule 11.1.2;
- the Company would need to re-comply with Chapters 1 and 2 of the ASX Listing Rules; and
- the Company would be suspended from the time of the announcement to the market regarding the Potential Transactions and will remain suspended until the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules.

The Company envisages that these processes will also be completed by the end of November 2016 and the Company will recommence trading on ASX shortly thereafter.

DIRECTORS' REPORT

For the year-ended 30 June 2016

Information on Directors

The following information on directors is current as at the date of this report:

Mr Shane Tanner

FCPA, ACIS

Non-executive Chairman

A former Director of Vision Eye Institute Limited, Symbion Health Limited (formerly known as Mayne Nickless Diagnostic Services) and Sterihealth Limited, Mr Tanner has extensive commercial and financial experience in a number of industries including healthcare.

Directorships held in other listed entities

Paragon Care Limited (2005 - present) – Chairman

Funtastic Limited (2009 - present) – Chairman

Mr Jonathan Lim

BBus (Dtn) (UTS), F Fin, CAIA

Executive Director

Mr Lim is the Managing Director of Liverpool Partners and has led the recapitalisation and change in strategy of the Company. Mr Lim has a strong experience in the health care sector including acting as a trusted advisor to a range of listed health care companies. He has an extensive background in private equity and corporate finance.

Directorships held in other listed entities

None

Dr Todd Cameron

FRACGP, MAICD

Executive Director

Dr Cameron is a general practitioner with over 20 years' experience and one of the founders of the Modern Medical group. His special interests are in complex and chronic health issues, cardiology and sports medicine.

Directorships held in other listed entities

None

Mr Jeremy Kirkwood

BCom

Alternate Director for Dr Todd Cameron

Mr Kirkwood has extensive experience in corporate strategy, investment banking and global capital markets. He is a respected corporate advisor, and has been a principal with Pilot Advisory Group and was previously a Managing Director at Credit Suisse, Morgan Stanley and Austock.

Directorships held in other listed entities

Talisman Mining Limited (2016 - present) – Chairman

Mr Justin Walter

MPH (JCU)

Managing Director

Mr Walter has extensive experience in private healthcare and a strong clinical and public healthcare background, including several senior management roles. His most recent role was General Manager of the Health & Aged Care sector for Spotless. Justin previously held a number of executive positions including State Manager with Healthscope, and was CEO for the Peel Campus PPP. Justin also established the successful Ernst & Young health advisory practice in WA.

Directorships held in other listed entities

None

DIRECTORS' REPORT

For the year-ended 30 June 2016

Company Secretary

Mr Heath L Roberts

Dip Law (S.A.B.), Grad Dip Legal Practice (UTS)

Mr Roberts is a commercial solicitor with 18 years ASX listed company experience specialising in company secretarial practice, corporate advising and fundraising and ASX listing and compliance issues. He has acted as Company Secretary and/or Director for many ASX listed and private companies and was previously Secretary of the Sydney Kings Basketball team.

Interests in Shares and Options

Nil

Directorships held in other listed entities

WPG Resources Ltd (2005 - 2013) – Non-executive Director

Meetings of Directors

During the financial year ten (10) meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

| | DIRECTORS' MEETINGS | |
|-----------------|---------------------|----------|
| | Eligible to attend | Attended |
| Shane Tanner | 10 | 10 |
| Jonathan Lim | 5 | 5 |
| Todd Cameron | 2 | 2 |
| Jeremy Kirkwood | 0 | 0 |
| Justin Walter | 0 | 0 |
| Faldi Ismail | 8 | 8 |
| Craig Higgins | 5 | 5 |

At the date of this report, the Remuneration Committee, Audit Committee and Nomination Committee comprise the full Board of Directors. The Directors believe that the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.

DIRECTORS' REPORT

For the year-ended 30 June 2016

Indemnifying Officers or Auditor

Indemnification

The Company indemnifies each of its directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the *Corporations Act 2001* from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the *Corporations Act 2001*. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

Insurance premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Options

Unissued shares under option

At the date of this report, the un-issued ordinary shares of BGD Corporation Ltd under option are as follows:

| Grant Date | Date of Expiry | Exercise Price | Number under Option |
|------------------|------------------|----------------|---------------------|
| 23 December 2014 | 22 December 2018 | \$0.030 | 16,666,667 |
| 23 December 2014 | 13 February 2018 | \$0.030 | 14,999,998 |
| 8 September 2015 | 8 September 2018 | \$0.030 | 1,666,667 |
| 14 April 2016 | 14 April 2019 | \$0.042 | 1,000,000 |

On 15 January 2016 the company consolidated its share capital on a 1:3 basis. As a consequence, the number of share options previously issued by the Company were consolidated on the same basis. No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate. During the year, 42,000 shares were issued pursuant to the exercise of options (2015: Nil).

DIRECTORS' REPORT

For the year-ended 30 June 2016

Environmental Regulations

The Company is subject to the environmental regulations under legislation of the Commonwealth of Australia. The Company aims to comply with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental regulations.

Non-Audit Services

During the year, Ernst & Young, the Company's auditor did not provide any services other than their statutory audits. Details of their remuneration can be found within the financial statements at Note 6 Auditor's remuneration on page 46.

In the event that non-audit services are provided by Ernst & Young, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the *Corporations Act 2001*. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 has been received and can be found on page 25 of this report.

DIRECTORS' REPORT

For the year-ended 30 June 2016

Corporate Governance

The Company's Board of Directors is responsible for the Corporate Governance of the Group. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable. The governance practices adopted by the Company are structured with reference to the 3rd Edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX CGPR).

The Board aims to achieve all of the Principles and Recommendations in stages as the Company grows and its circumstances change over time. The Company has experienced a significant period of time in external administration and has had a significant number of changes to the Board in recent years. Significant progress in the improvement of the Company's Corporate Governance practices was achieved with the adoption of a Corporate Governance package, as announced to ASX on 24 December 2014. The information provided below summarises how the Company presently complies with the ASX CGPR, and how it intends to comply with each of the current Principles and Recommendations going forward.

| Principle / Recommendation | Comply | Explanation |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principle 1: Lay solid foundations for management and oversight | | |
| Recommendation 1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management. | Yes | <p>The Company has adopted a Board Charter.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter is available on the Company's website at: http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> |
| Recommendation 1.2 A listed entity should: <ul style="list-style-type: none"> (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director. | Yes | <ul style="list-style-type: none"> (a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. (b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on. |

DIRECTORS' REPORT

For the year-ended 30 June 2016

| Principle / Recommendation | Comply | Explanation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Yes | The Company's Corporate Governance Plan requires the Board to ensure that each director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. |
| Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Yes | The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board. |
| Recommendation 1.5 A listed entity should: <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board; <ul style="list-style-type: none"> (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period: <ul style="list-style-type: none"> (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: <ul style="list-style-type: none"> (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012. | No | <ul style="list-style-type: none"> (a) The Company has adopted a Diversity Policy. <ul style="list-style-type: none"> (i) The Company has not established measurable objectives for achieving gender diversity, in view of the current size and nature of operations of the Company. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on the measurable objectives, when considered appropriate. (b) The Diversity Policy is available on the company website at: <p>http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> (c) <ul style="list-style-type: none"> (i) Measurable objectives were not set during the reporting period for the reasons noted above. (ii) As at 30 June 2016, the proportion of women employed by the Group was as follows <ul style="list-style-type: none"> • Board of Directors: 0% • Senior Executive positions: 0% • Total Company workforce: 85% |

DIRECTORS' REPORT

For the year-ended 30 June 2016

| Principle / Recommendation | Comply | Explanation |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommendation 1.6 | Yes | |
| <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | | <p>(a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan, at:</p> <p>(b) http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> <p>(c) A performance evaluation was not carried out during the reporting period. This process will be undertaken during the next reporting period.</p> |
| Recommendation 1.7 | Yes | |
| <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | | <p>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. A performance evaluation was not carried out during the reporting period. The majority of staff and executives have only been recently appointed. On that basis a performance evaluation was not considered necessary, although the process will be undertaken during the next reporting period.</p> |

DIRECTORS' REPORT

For the year-ended 30 June 2016

| Principle / Recommendation | Comply | Explanation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principle 2: Structure the board to add value | | |
| Recommendation 2.1 | No | |
| <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which;</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p> | | <p>Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Nomination Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee.</p> <p>The duties of the Nomination Committee (as carried out by the Board) are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website at:</p> <p>http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> <p>The Board devotes time at board meetings to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</p> |
| Recommendation 2.2 | No | |
| <p>A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p> | | <p>The Board has not adopted a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) as the majority of the Board have only been recently appointed. The composition of the Board is reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction and a skill matrix will be adopted when considered appropriate.</p> <p>Full details as to each director and senior executive's relevant skills and experience are available in the Directors Report contained in this Financial Report and Company's website.</p> |

DIRECTORS' REPORT

For the year-ended 30 June 2016

| Principle / Recommendation | Comply | Explanation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommendation 2.3 | Yes | |
| <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p> | | <p>(a) The Board Charter provides for the disclosure of the names of Directors considered by the board to be independent. The Directors considered to be independent are Mr Tanner and Kirkwood.</p> <p>(b) No disclosures are required in regard to (b); and</p> <p>(c) The length of service of each Director is provided in the Directors Report contained in this Financial Report.</p> |
| Recommendation 2.4 | No | |
| <p>A majority of the board of a listed entity should be independent directors.</p> | | <p>The Board Charter requires that where practical the majority of the Board will be independent.</p> <p>As only two of the Directors are considered independent, a majority has not been achieved. It is the Company's intention that additional independent directors be appointed during the next reporting period.</p> |
| Recommendation 2.5 | Yes | |
| <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p> | | <p>The Company's Chairman, Mr Shane Tanner is an independent director and is not the CEO.</p> |
| Recommendation 2.6 | Yes | |
| <p>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p> | | <p>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p> |
| Principle 3: Act ethically and responsibly | | |
| Recommendation 3.1 | Yes | |
| <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p> | | <p>(a) The Company has a Corporate Code of Conduct that applies to the Company's directors, senior executives and employees.</p> <p>(b) The Company's Corporate Code of Conduct is available on the Company's website at:</p> <p>http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> |

DIRECTORS' REPORT

For the year-ended 30 June 2016

| Principle / Recommendation | Comply | Explanation |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principle 4: Safeguard integrity in financial reporting | | |
| Recommendation 4.1 | No | |
| <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | | <p>Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website at:</p> <p>http://bqdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> <p>The Board devote time at board meeting(s) to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p> |
| Recommendation 4.2 | Yes | |
| <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p> | | <p>The relevant declaration from the CEO and CFO of the company has been reviewed and will be obtained when the financial statements are signed by the directors.</p> |
| Recommendation 4.3 | Yes | |
| <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p> | | <p>The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p> |

DIRECTORS' REPORT

For the year-ended 30 June 2016

| Principle / Recommendation | Comply | Explanation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principle 5: Make timely and balanced disclosure | | |
| Recommendation 5.1 | Yes | |
| A listed entity should: | | (a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure-Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. |
| (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and | | |
| (b) disclose that policy or a summary of it. | | (b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website at: http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf |
| Principle 6: Respect the rights of security holders | | |
| Recommendation 6.1 | Yes | |
| A listed entity should provide information about itself and its governance to investors via its website. | | Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website at: http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf |
| Recommendation 6.2 | Yes | |
| A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | | The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders and can be found on the Company's website at: http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf |
| Recommendation 6.3 | Yes | |
| A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | | The Shareholder Communication Strategy (refer Recommendation 6.2 above) discloses the policies and processes the Company has in place to facilitate and encourage participation at meetings of security holders. |
| Recommendation 6.4 | Yes | |
| A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | | Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. |

DIRECTORS' REPORT

For the year-ended 30 June 2016

| Principle / Recommendation | Comply | Explanation |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principle 7: Recognise and manage risk | | |
| Recommendation 7.1 | No | |
| <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, <p>and disclose:</p> <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <p>or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p> | | <p>The Company does not have a committee that oversees risk management as it has only recently appointed the majority of the Board and is not of a size that would enable these recommendations to be met.</p> <p>The Company has processes to identify and manage risks which are implemented by the Board and senior management.</p> |
| Recommendation 7.2 | No | |
| <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p> | | <p>(a) The Company process for risk management and internal compliance are set out in Schedule 8 of the Corporate Governance Plan on the Company's website at:</p> <p>http://bqdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> <p>The Board intends to review the entity's risk management framework with management at least annually.</p> <p>(b) A review of the Company's risk management framework was not carried out during the reporting period, as the majority of the Board members have only been recently appointed.</p> |

DIRECTORS' REPORT

For the year-ended 30 June 2016

| Principle / Recommendation | Comply | Explanation |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommendation 7.3 | No | |
| <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | | <p>The Company does not have an internal audit function. The Company's current risk management framework relies on the Board and senior management to manage risk and undertake internal audit activities.</p> <p>The Company intends to implement an internal audit function in line with Schedule 3 of the Company's Corporate Governance Plan, which sets out the proposed guidelines for any internal audit function of the Company. The Corporate Governance Plan can be found on the Company's website at:</p> <p>http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> |
| Recommendation 7.4 | Yes | |
| <p>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p> | | <p>Schedule 3 of the Company's Corporate Governance Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework will be conducted at least annually and reports will be created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.</p> |
| Principle 8: Remunerate fairly and responsibly | | |
| Recommendation 8.1 | No | |
| <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which;</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | | <p>Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 the Company's Corporate Governance Plan available online on the Company's website at:</p> <p>http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> <p>The Board devote time at board meeting(s) to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> |

DIRECTORS' REPORT

For the year-ended 30 June 2016

| Principle / Recommendation | Comply | Explanation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration. | Yes | <p>The Company's Corporate Governance Plan discloses its policies and practices regarding the remuneration of non-executive, executive and other senior directors. The Corporate Governance Plan is available online on the Company's website at:</p> <p>http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> |
| Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p> | Yes | <p>(a) The Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity based plans.</p> <p>(b) A copy of the Company's Corporate Governance Plan is available on the Company's website at:</p> <p>http://bgdcorporation.com.au/wp-content/uploads/2015/08/BGD-Dec-2015-Corporate-Governance.pdf</p> |

DIRECTORS' REPORT

For the year-ended 30 June 2016

Remuneration Report (audited)

Introduction

The Directors of BGD Corporation Ltd present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2016 (FY16). This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*. This Report details the remuneration arrangements for the Company's key management personnel (KMP):

- Non-executive directors; and
- Executive directors and senior executives (collectively the executives).

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and the Group. The KMP for the Group for FY16 are the directors and the CEO.

Remuneration governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all matters are considered by the full Board of Directors.

The Board's remuneration policy determines the nature and amount of remuneration for Board members and senior executives of the Company. As part of this policy, the Board sets the terms and conditions and remuneration levels for senior executives to secure and retain the services of suitable individuals capable of contributing to the achievement of the Group's strategic objectives.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparative companies both locally and internationally and the objectives of the Group's compensation strategy. During the financial year, the Company did not engage any remuneration consultants.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board annually reviews the payments to non-executive directors based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors for their services is \$150,000 during any financial year.

There were no Short-Term Incentives (STI) paid or proposed to be paid for the year ended 30 June 2016 (2015: nil). The CEO will be entitled to an STI for the year ending 30 June 2017 as disclosed further in the section below. A Long-Term Incentive (LTI) was issued to the CEO as disclosed further in the section below.

A table is shown below summarising key performance and shareholder wealth indicators for the Group for the year ended 30 June 2016.

| | Loss after tax | Loss per Share | Share Price |
|--------------------------|----------------|----------------|-------------|
| Year ending 30 June 2016 | (\$2,323,288) | (1.58 cents) | \$0.046 |
| Year ending 30 June 2015 | (\$1,255,519) | (2.25 cents) | \$0.014 |

Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued to directors subject to approval by shareholders in a general meeting. Remuneration arrangements for executives are formalised in employment agreements.

DIRECTORS' REPORT

For the year-ended 30 June 2016

Remuneration Report (audited) (continued)

Chief Executive Officer

The CEO, Mr Justin Walter was appointed on 14 April 2016 under an open ended Executive Services Agreement which can be terminated with notice by either the Group or the CEO. Under the terms of the agreement as disclosed to the ASX on 14 April 2016:

- The CEO is entitled to Fixed Annual Remuneration (FAR) of \$250,000 per annum plus statutory superannuation contributions and sick leave.
- The FAR amount is to be reviewed to \$300,000 per annum once the Company achieves annualised gross revenues (including fees generated by subcontractor doctors) of \$100 million per annum.
- The CEO's target STI is 30% of his FAR, subject to the achievement of the achievement of FY17 budget EBIT for the Group.
- The CEO was issued with an LTI consisting of 2 million unquoted options, 1 million of which vested immediately and 1 million which vest on 14 April 2017. The exercise price is \$0.042 (4.2 cents) per option. The LTI is only payable if the CEO remains employed by the Group at the relevant vesting dates. There are no other performance conditions in relation to this LTI. The CEO exercised 1 million options on 24 May 2016.

At this stage the Board does not consider the Group's earnings or earnings related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Group's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of business development and corporate activities.

When required the Company will formalise remuneration arrangements with executives in employment agreements.

Termination provisions

The CEO and executives' termination provisions are as follows:

| | Resignation | Termination for cause | Termination in case of death, disablement, redundancy or notice without cause | Termination payment |
|----------------------------------------------------------|-------------|-----------------------|-------------------------------------------------------------------------------|---------------------|
| CEO notice period (by company or executive) | 6 months | None | 6 months | 6 months |
| Other executives notice period (by company or executive) | 12 weeks | None | 12 weeks | 12 weeks |

Non-executive director fee arrangements

The Board policy is to remunerate non-executive directors at a level to comparable companies for time, commitment, and responsibilities. Non-executive directors do not receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to non-executive directors.

The board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice will be sought when required.

The current maximum aggregate amount of fees that can be paid to non-executive directors is \$150,000 per annum and any change is subject to approval by shareholders at an Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Total fees paid to the non-executive directors for the financial year were \$107,199 (2015: \$131,866) and cover main Board activities only. Non-executive directors may receive additional remuneration for other services provided to the Group. Directors are entitled to claim business-related expenses incurred in the performance of their duties in line with the Group's expense reimbursement procedure.

Remuneration Report (audited) (continued)

DIRECTORS' REPORT

For the year-ended 30 June 2016

Details of Remuneration

The KMP of the Company includes the non-executive directors and the CEO of the Company. There are no other KMP as at 30 June 2016.

| Key Management Personnel | Short-term benefits | Post employment | Long-term benefits | Equity-settled share-based payments | | Total | Option % |
|------------------------------|---------------------|-----------------|--------------------|-------------------------------------|---------------|----------------|------------|
| | Salary and fees | Super | Other | Equity | Options | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| 2016 | | | | | | | |
| Directors | | | | | | | |
| Shane Tanner | 36,000 | - | - | - | - | 36,000 | 0% |
| Jonathan Lim ¹ | 23,199 | - | - | - | - | 23,199 | 0% |
| Todd Cameron ² | 9,000 | - | - | - | - | 9,000 | 0% |
| Jeremy Kirkwood ³ | - | - | - | - | - | - | 0% |
| Craig Higgins ⁴ | 12,000 | - | - | - | - | 12,000 | 0% |
| Faldi Ismail ⁵ | 27,000 | - | - | - | - | 27,000 | 0% |
| Total directors | 107,199 | - | - | - | - | 107,199 | 0% |
| Executives | | | | | | | |
| Justin Walter ⁶ | 56,424 | 549 | - | - | 30,683 | 87,656 | 35% |
| Total executives | 56,424 | 549 | - | - | 30,683 | 87,656 | 35% |
| Total KMP | 163,623 | 549 | - | - | 30,683 | 194,855 | 16% |

2015

| | | | | | | | |
|-------------------------------|----------------|----------|----------|----------------|----------------|----------------|------------|
| Directors | | | | | | | |
| Shane Tanner | 21,000 | - | - | - | 15,641 | 36,641 | 43% |
| Faldi Ismail | 48,700 | - | - | 19,980 | 15,740 | 84,420 | 19% |
| Craig Higgins | 21,000 | - | - | - | 15,641 | 36,641 | 43% |
| Nicholas Young ⁷ | 33,700 | - | - | 94,905 | 57,714 | 186,319 | 31% |
| John Ciganek ⁸ | 7,466 | - | - | - | - | 7,466 | 0% |
| Christopher Ryan ⁹ | - | - | - | - | - | - | 0% |
| Daniel Owen ¹⁰ | - | - | - | - | - | - | 0% |
| Total directors | 131,866 | - | - | 114,885 | 104,736 | 351,487 | 30% |
| Total KMP | 131,866 | - | - | 114,885 | 104,736 | 351,487 | 30% |

1. Appointed 11 November 2015

2. Appointed 7 April 2016

3. Appointed 7 April 2016

4. Resigned 11 November 2015

5. Resigned 7 April 2016

6. Appointed 14 April 2016

7. Resigned 1 February 2015

8. Resigned 25 November 2014

9. Resigned 10 September 2014

10. Resigned 10 September 2014

DIRECTORS' REPORT

For the year-ended 30 June 2016

Remuneration Report (audited) (continued)

Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year.

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

| Key Management Personnel | Granted | Granted during the year \$ | Grant Number | Vesting | Exercise Price \$ | Expiring | Vested during the year Number | Lapsed during the year Number |
|--------------------------|-----------|-------------------------------|-----------------|-----------|----------------------|-----------|----------------------------------|----------------------------------|
| 2016 | | | | | | | | |
| Justin Walter | 14-Apr-16 | 25,338 | 1,000,000 | 14-Apr-16 | \$0.042 | 14-Apr-19 | 1,000,000 | - |
| Justin Walter | 14-Apr-16 | 5,345 | 1,000,000 | 14-Apr-17 | \$0.042 | 14-Apr-19 | - | - |
| 2015 | | | | | | | | |
| Faldi Ismail | 23-Dec-14 | 15,740 | 750,000+ | 23-Dec-14 | \$0.03 | 22-Dec-18 | 750,000 | - |
| Nicholas Young | 23-Dec-14 | 57,714 | 2,750,000+ | 23-Dec-14 | \$0.03 | 22-Dec-18 | 2,750,000 | - |
| Shane Tanner | 8-Sep-15* | 15,641 | 833,333+ | 8-Sep-15 | \$0.03 | 8-Sep-18 | - | - |
| Craig Higgins | 8-Sep-15* | 15,641 | 833,333+ | 8-Sep-15 | \$0.03 | 8-Sep-18 | - | - |

The weighted average fair value of options granted during the year was \$0.025 (2015: \$0.066).

* These options were originally issued in April 2015, however due to a technical oversight they were not approved by shareholders until September 2015.

+ Options have been restated for the 1:3 share consolidation undertaken in January 2016.

During the year, 2,000,000 options were issued (2015: 5,166,666). The fair value of the options issued was \$50,675 of which \$30,683 was recognised as an expense during the year.

DIRECTORS' REPORT

For the year-ended 30 June 2016

Remuneration Report (audited) (continued)

KMP options holdings

The number of options over ordinary shares held directly or indirectly by each KMP of the Group during the financial year is as follows:

| Key Management Personnel | Balance at the start of the year (or date of appointment) | Granted during the year | Exercised during the year | Effect of 1 for 3 share consolidation 15/1/2016 | Other changes during the year | Balance at the end of the year (or date of resignation) | Vested and exercisable | Unvested |
|-------------------------------|-----------------------------------------------------------|-------------------------|---------------------------|-------------------------------------------------|-------------------------------|---------------------------------------------------------|------------------------|------------------|
| | Number | Number | Number | Number | Number | Number | Number | Number |
| 2016 | | | | | | | | |
| Shane Tanner | 2,500,000 | - | - | (1,666,667) | - | 833,333 | - | 833,000 |
| Jonathan Lim ¹ | 31,800,000 | - | - | (21,200,000) | (1,800,000) | 8,800,000 | 8,800,000 | - |
| Todd Cameron ² | - | - | - | - | - | - | - | - |
| Jeremy Kirkwood ³ | - | - | - | - | - | - | - | - |
| Craig Higgins ⁴ | 2,500,000 | - | - | (1,666,667) | - | 833,333 | - | 833,333 |
| Faldi Ismail ⁵ | 2,250,000 | - | - | (1,500,000) | - | 750,000 | 750,000 | - |
| Justin Walter ⁶ | - | 2,000,000 | (1,000,000) | - | - | 1,000,000 | - | 1,000,000 |
| Total | 39,050,000 | 2,000,000 | (1,000,000) | (26,033,334) | (1,800,000) | 12,216,666 | 9,550,000 | 2,666,666 |
| 2015 | | | | | | | | |
| Shane Tanner | - | 2,500,000 | - | - | - | 2,500,000 | - | 2,500,000 |
| Craig Higgins | - | 2,500,000 | - | - | - | 2,500,000 | - | 2,500,000 |
| Faldi Ismail | - | - | - | - | 2,250,000 | 2,250,000 | 2,250,000 | - |
| Nicholas Young ⁷ | - | - | - | - | 8,250,000 | 8,250,000 | 8,250,000 | - |
| John Ciganek ⁸ | - | - | - | - | - | - | - | - |
| Christopher Ryan ⁹ | - | - | - | - | - | - | - | - |
| Daniel Owen ¹⁰ | 500,000 | - | - | - | - | 500,000 | 500,000 | - |
| Total | 500,000 | 5,000,000 | - | - | 10,500,000 | 16,000,000 | 11,000,000 | 5,000,000 |

1. Appointed 11 November 2015

2. Appointed 7 April 2016

3. Appointed 7 April 2016

4. Resigned 11 November 2015

5. Resigned 7 April 2016

6. Appointed 14 April 2016

7. Resigned 1 February 2015

8. Resigned 25 November 2014

9. Resigned 10 September 2014

10. Resigned 10 September 2014

DIRECTORS' REPORT

For the year-ended 30 June 2016

Remuneration Report (audited) (continued)

KMP shareholdings

The number of ordinary shares in the Company held directly or indirectly by each KMP of the Group during the financial year is as follows:

| Key Management Personnel | Balance at the start of the year (or date of appointment) | Granted as remuneration during the year | Issued on exercise of options during the year | Effect of 1 for 3 share consolidation 15/1/2016 | Other changes during the year | Balance at the end of the year (or date of resignation) |
|--------------------------------|-----------------------------------------------------------|-----------------------------------------|-----------------------------------------------|-------------------------------------------------|-------------------------------|---------------------------------------------------------|
| | Number | Number | Number | Number | Number | Number |
| 2016 | | | | | | |
| Shane Tanner | 474,448 | - | - | (316,299) | 1,909,286 | 2,067,435 |
| Jonathan Lim ¹ | 31,489,191 | - | - | (20,992,794) | 2,533,646 | 13,030,043 |
| Todd Cameron ² | 37,431,818 | - | - | - | - | 37,431,818 |
| Jeremy Kirkwood ³ | 20,795,455 | - | - | - | - | 20,795,455 |
| Craig Higgins ⁴ | 474,447 | - | - | - | - | 474,447 |
| Faldi Ismail ⁵ | 6,080,586 | - | - | (4,370,022) | 474,447 | 2,185,011 |
| Justin Walter ⁶ | - | - | 1,000,000 | - | - | 1,000,000 |
| Total | 96,745,945 | - | 1,000,000 | (25,679,115) | 4,917,379 | 77,984,209 |
| 2015 | | | | | | |
| Shane Tanner | - | - | - | - | 474,448 | 447,448 |
| Craig Higgins | - | - | - | - | 474,447 | 474,447 |
| Faldi Ismail | - | - | - | - | 6,080,586 | 6,080,586 |
| Nicholas Young ⁸ | - | - | - | - | 10,100,000 | 10,100,000 |
| John Ciganek ⁹ | - | - | - | - | - | - |
| Christopher Ryan ¹⁰ | - | - | - | - | - | - |
| Daniel Owen ¹¹ | - | - | - | - | - | - |
| Total | - | - | - | - | 17,129,481 | 17,129,481 |

1. Appointed 11 November 2015

2. Appointed 7 April 2016

3. Appointed 7 April 2016

4. Resigned 11 November 2015

5. Resigned 7 April 2016

6. Appointed 14 April 2016

7. Resigned 1 February 2015

8. Resigned 25 November 2014

9. Resigned 10 September 2014

10. Resigned 10 September 2014

DIRECTORS' REPORT

For the year-ended 30 June 2016

Remuneration Report (audited) (continued)

Loans to KMP and their related parties

On 14 April 2016, 2,000,000 Options exercisable at \$0.042 were issued to the CEO, Mr Justin Walter. Of these options, 1,000,000 vested immediately. On 24 May 2016, a loan was made by the Company to Mr Walter in order to exercise these options. The loan was repaid in July 2016. The loan is disclosed in the financial statements within Trade and Other Receivables - Current. No interest was charged in relation to this loan.

There were no other loans made to Key Management Personnel during the financial year.

Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The group acquired the following services from entities that are controlled by members of the group's key management personnel:

- Capital raising fees of \$24,794 paid to Clinical Advisory Services Pty Ltd, a company controlled by Chairman, Mr Shane Tanner.
- Transaction advisory fees of \$336,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Project identification and management fees of \$240,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Brokerage fees of \$40,055 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Office rent of \$4,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Reimbursement of sundry expenses of \$39,676 associated with the equity capital raising and Modern Medical acquisition to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.

During the reporting period no loans were made to the Company from KMP during the reporting period.

Signed in accordance with a resolution of the Board of Directors.



Shane Tanner
Non-Executive Chairman
28 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

For the year-ended 30 June 2016



Ernst & Young
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Auditor's Independence Declaration to the Directors of BGD Corporation Ltd

As lead auditor for the audit of BGD Corporation Ltd for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of BGD Corporation Ltd and the entities it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized script.

Ernst & Young

A handwritten signature in black ink that reads 'Gamini Martinus' in a cursive, stylized script.

Gamini Martinus
Partner
Sydney
28 September 2016



CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME**
For the year ended 30 June 2016

| | Note | CONSOLIDATED | |
|-----------------------------------------------------------------------------------------------|------|--------------------|--------------------|
| | | 2016 \$ | 2015 \$ |
| Continuing operations | | | |
| Trading revenue | 2 | 939,750 | - |
| Other income | 2 | 77,307 | 353,637 |
| Income | | 1,017,057 | 353,637 |
| Employee benefits expense | 3 | 653,406 | 1,012,427 |
| Management fees | | 290,000 | 280,000 |
| Administrative expenses | | 666,697 | 239,472 |
| Modern Medical acquisition costs | | 804,366 | - |
| Rent and utilities | | 231,867 | - |
| Consumables | | 53,731 | - |
| Depreciation expense | | 19,285 | - |
| Impairment of investments | 12 | 300,000 | - |
| Other expenses | | 326,963 | 61,223 |
| Results from operating activities | | (2,329,258) | (1,239,485) |
| Finance costs | | (6,467) | (25,501) |
| Finance income | | 12,437 | 9,467 |
| Loss before tax from continuing operations | | (2,323,288) | (1,255,519) |
| Income tax expense/(credit) | 4 | - | - |
| Loss for the year from continuing operations | | (2,323,288) | (1,255,519) |
| Other comprehensive income: | | | |
| Other comprehensive loss for the year, net of tax | | - | - |
| Total comprehensive loss for the year attributable to the equity holders of the parent | | (2,323,288) | (1,255,519) |

| | Note | CONSOLIDATED | |
|-----------------------------------------------------------------------------------|------|-------------------------|-------------------------|
| | | 2016 Cents per share | 2015 Cents per share |
| Loss per share attributable to the ordinary equity holders of the Company: | | | |
| Basic loss - cents per share | 7 | (1.58) | (2.25) |
| Diluted loss cents - per share | | (1.58) | (2.25) |

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **For the year ended 30 June 2016**

| | Note | CONSOLIDATED | |
|---------------------------------------------------|------|------------------|------------------|
| | | 2016 \$ | 2015 \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 1,999,190 | 1,204,140 |
| Trade and other receivables | 9 | 309,487 | 40,835 |
| Other assets | 10 | 157,893 | 9,397 |
| TOTAL CURRENT ASSETS | | 2,466,570 | 1,254,372 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 11 | 510,823 | - |
| Investments accounted for using the equity method | 12 | - | 300,000 |
| Prepayments | 13 | 452,083 | - |
| Intangible assets | 14 | 5,669,556 | - |
| Other | | 20,024 | - |
| TOTAL NON-CURRENT ASSETS | | 6,652,486 | 300,000 |
| TOTAL ASSETS | | 9,119,056 | 1,554,372 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 1,884,459 | 63,168 |
| Short term provisions | 15 | 327,928 | - |
| Interest bearing liabilities | 16 | 150,755 | - |
| TOTAL CURRENT LIABILITIES | | 2,363,142 | 63,168 |
| NON CURRENT LIABILITIES | | | |
| Provisions | 15 | 386,722 | - |
| Interest bearing liabilities | 16 | 352,251 | - |
| TOTAL NON CURRENT LIABILITIES | | 738,973 | - |
| TOTAL LIABILITIES | | 3,102,115 | 63,168 |
| NET ASSETS | | 6,016,941 | 1,491,204 |
| SHAREHOLDERS' EQUITY | | | |
| Issued capital | 17 | 63,255,851 | 56,437,509 |
| Reserves | | 1,393,418 | 1,362,735 |
| Accumulated losses | | (58,632,328) | (56,309,040) |
| SHAREHOLDERS' EQUITY | | 6,016,941 | 1,491,204 |

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **For the year ended 30 June 2016**

| | | CONSOLIDATED | | | |
|----------------------------------------------------------------|-----------|-------------------|------------------|---------------------|--------------------|
| | | Issued Capital | Option Reserves | Accumulated Losses | Total |
| | Note | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | | 56,437,509 | 1,362,735 | (56,309,040) | 1,491,204 |
| Loss for the year | | - | - | (2,323,288) | (2,323,288) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive loss for the year | | - | - | (2,323,288) | (2,323,288) |
| Transactions with owners, recognised directly in equity | | | | | |
| Issue of equity instruments | | 7,286,091 | - | - | 7,286,091 |
| Share based payments | | - | 30,683 | - | 30,683 |
| Capital raising costs | | (467,749) | - | - | (467,749) |
| Balance at 30 June 2016 | 17 | 63,255,851 | 1,393,418 | (58,632,328) | 6,016,941 |

| | | | | | |
|----------------------------------------------------------------|--|-------------------|-------------------|---------------------|--------------------|
| Balance at 1 July 2014 | | 54,036,006 | 13,575,267 | (67,930,390) | (319,117) |
| Loss for the year | | - | - | (1,255,519) | (1,255,519) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive loss for the year | | - | - | (1,255,519) | (1,255,519) |
| Transactions with owners, recognised directly in equity | | | | | |
| Issue of equity instruments | | 2,500,500 | 500 | - | 2,501,000 |
| Share based payments | | 499,500 | 663,837 | - | 1,163,337 |
| Capital raising costs | | (598,497) | - | - | (598,497) |
| Options expired during the period | | - | (12,876,869) | 12,876,869 | - |
| Balance at 30 June 2015 | | 56,437,509 | 1,362,735 | (56,309,040) | 1,491,204 |

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT **For the year ended 30 June 2016**

| | | CONSOLIDATED | |
|-------------------------------------------------------------------------------------|----------|--------------------|--------------------|
| | | 2016 | 2015 |
| | Note | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 1,250,591 | - |
| Payments to suppliers and employees | | (877,876) | (694,125) |
| Payments for acquisition transaction costs | | (804,366) | - |
| Payment to deed administrator | | - | (473,127) |
| Interest received | | 25,253 | 9,467 |
| Interest paid | | (10,585) | (25,501) |
| Net cash (used in) operating activities | | (416,983) | (1,183,286) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for acquisition of Modern Medical business | | (1,633,947) | - |
| Payments for deposits | | (120,023) | - |
| Payment for options over additional Modern Medical businesses | | (500,000) | - |
| Payments for asset purchases | | (14,442) | - |
| Proceeds from receipt of deposit in accordance with the deed of company arrangement | | - | 470,000 |
| Net cash (used in)/ from investing activities | | (2,268,412) | 470,000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of equity instruments | | 4,000,000 | 2,501,000 |
| Capital raising costs | | (467,749) | (315,721) |
| Repayment of borrowings | | (51,806) | (270,000) |
| Funds held in trust | | - | (5,500) |
| Net cash from financing activities | | 3,480,445 | 1,909,779 |
| Net increase / (decrease) in cash and cash equivalents | | 795,050 | 1,196,493 |
| Cash and cash equivalents at the beginning of the financial year | | 1,204,140 | 7,647 |
| Cash and cash equivalents at the end of the financial year | 8 | 1,999,190 | 1,204,140 |

The accompanying notes form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

These consolidated financial statements cover BGD Corporation Ltd (“the Company”) and its controlled entities as a consolidated entity (also referred to as “the Group”). BGD Corporation Ltd is a company limited by shares, incorporated and domiciled in Australia. The registered address of the Company is Level 2, 391 St Kilda Road, Melbourne Victoria 3004. The Group is a for-profit entity. The Group’s consolidated financial statements are presented in Australian dollars, which is also the Parent’s functional currency.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for investment properties, land and buildings classified as property, plant and equipment, derivative financial instruments, available-for-sale (AFS) financial assets, contingent consideration and non-cash distribution liability that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar amount, except when otherwise indicated.

Compliance with International Financial Reporting Standards (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) Comparative Information

Comparative amounts have been reclassified and repositioned where necessary for consistency with current period disclosures.

On 22 July 2013, the Board resolved to place the Company into voluntary administration and appointed Messrs Trevor Pogroske and Said Jahani of Grant Thornton Australia Limited as joint and several administrators of the Company. At its request the Company was suspended from trading on the Australian Securities Exchange (“ASX”) on 22 July 2013.

Following appointment of the administrators, the powers of the Company’s officers (including Directors) were suspended and the administrators assumed control of the Company’s business, property and affairs. On 29 October 2013, at an adjourned second meeting of creditors of the Company, the creditors of the Company resolved to end the voluntary administration and control was handed back to the Directors. On 30 October 2013, Steven Nicols of Nicols + Brien Business Recovery was appointed as administrator of the Company.

Following appointment of the administrator, the powers of the Company’s officers (including Directors) were again suspended and the administrator assumed control of the Company’s business, property and affairs.

The financial reports for the full year ended 30 June 2015 was prepared by Directors who were not in office at the time the Group entered voluntary administration or for the full periods presented in these financial reports, nor were they parties involved with the Company. The Directors prepared these financial reports were appointed on 10 September 2014. Every reasonable effort was made by the Directors to ascertain the true position of the Company’s financial affairs for the full year ended 30 June 2015.

To prepare the financial report for the full year ended 30 June 2015, the directors reconstructed the financial records of the Group using data extracted from the Group’s accounting system for the entire financial period/year. However, there may have been information that the current Directors were not been able to obtain, the impact of which may or may not have been material on the financial reports for the full year ended 30 June 2015.

Accordingly, the financial report for the full year ended 30 June 2015 did not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information was unascertainable due to the administration process and/or the change in directorships.

Consequently, although the Directors did prepare the financial reports for the full year ended 30 June 2015 to the best of their knowledge based on the information made available to them, they were of the opinion that it was

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

not possible to state that the financial report had been prepared in accordance with Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the *Corporations Act 2001*, nor was it possible to state the financial reports gave a true and fair view of the Group's financial position as at 30 June 2015 and for the year then ended.

Because of the significance of the matter described above, the Company's auditor, Ernst & Young were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, Ernst & Young did not express an opinion on the financial reports for the full year ended 30 June 2015.

c) Going concern

The Directors believe the Group will continue as a going concern and meet its debts and commitments as and when they fall due. The directors have taken into account cash flow forecasts for the period to 31 December 2017 and the positive cash contribution from the Modern Medical businesses that have been acquired.

d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2016. Control is achieved when a company in the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recognises any surplus or deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

e) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

f) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

g) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following note:

Contingent consideration

Note 14

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Board analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Board verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The board, in conjunction with the Group's external valuers when engaged, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

h) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Tax consolidation legislation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

BGD Corporation Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 April 2016.

The head entity, BGD Corporation Ltd and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, BGD Corporation Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

i) Property, plant and equipment

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

| | |
|------------------------|----------------------------|
| Leasehold improvements | 10 years or the lease term |
| Plant and equipment | 5 – 7 years |
| Other assets | 3 – 4 years |

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

l) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the assets or liability, assuming the market participants acts in their economic best interests.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

ii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss through the amortisation process and when the financial liability is derecognised.

Derivative instruments

The Group does not trade or hold derivatives.

Financial guarantees

The Group has no material financial guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

m) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

n) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control.

Investments in associates are accounted for in the Financial Statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Details of the Group's investments in associates are provided in Note 12.

o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

p) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

q) Revenue

Revenue is recognised at the fair value of consideration received or receivable on an accruals basis.

Trading revenue includes all revenue derived from the rendering of health-related services once the services have been performed and completed by the Company including:

- Patient fees in relation to services provided by employee doctors and nurses of the Group;
- Service fees charged to contractor doctors of the Group;
- Rent from the sub-lease of medical centre premises to other health-related service providers, including pathology and allied health service providers; and
- Government incentives payments received.

Other income includes all other income received or receivable, including administration charges to non-related medical clinics.

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the statement of financial position as a receivable.

r) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

s) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

t) Share-based payments

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 18.

That cost is recognised in employee benefits expense (Note 3), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 7).

u) Significant accounting estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

A revaluation of property, plant and equipment was conducted as at acquisition date in relation to the assets acquired from the Modern Medical group. The purpose of the revaluation was to recognise the fair value of these assets as at the date of acquisition. The Group estimated the fair value of the assets acquired based on the original purchase price, the accumulated depreciation recorded by the previous owner, the expected useful life from the date of acquisition and the Group's depreciation policy. The valuation is sensitive to the actual use of the assets and normal wear and tear and deterioration of the assets over time.

Contingent consideration

The Group recorded a provision for contingent consideration in relation to a potential earn-out payment to be made to the Modern Medical vendors. The provision was calculated based on an estimate of the financial performance of the Modern Medical clinics acquired for the year ending 31 December 2016. This estimate is sensitive to the actual trading performance of the clinics for the relevant period.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Share-based transactions

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a Black-Scholes option pricing model for the share option granted. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 2: REVENUE AND OTHER INCOME

| | CONSOLIDATED | |
|------------------------------------------------------|------------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Trading Revenue | 939,750 | - |
| Other Income | | |
| Other income | 77,307 | - |
| <i>Gain arising from Deed of Company Arrangement</i> | | |
| Assets transferred to the Deed Administrators | - | (373,128) |
| Final DOCA payment | - | (100,000) |
| | - | (473,128) |
| Gain on creditor obligations released | - | 826,765 |
| Other Income | 77,307 | 353,637 |
| Income | 1,017,057 | 353,637 |
| Finance income | | |
| Interest received from non-related parties | 12,437 | 9,467 |

NOTE 3: LOSS FOR THE YEAR

| | CONSOLIDATED | |
|---------------------------------------------------------------------------------------------|----------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Loss before income tax from continuing operations includes the following specific expenses: | | |
| Included in employee benefits expenses: | | |
| Directors fees | 107,199 | 131,866 |
| Wages and salaries | 477,821 | - |
| Superannuation | 37,703 | - |
| Share-based payment expense | 30,683 | 880,561 |
| Total employee benefits expenses | 653,406 | 1,012,427 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 4: INCOME TAX

| | CONSOLIDATED | |
|------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------|
| | 2016 | 2015 |
| | \$ | \$ |
| (a) Income tax expense | | |
| Current tax | - | - |
| Deferred tax | - | - |
| Over provision in prior years | - | - |
| | - | - |
| (b) Prima facie tax payable | | |
| The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie income tax payable on loss before income tax at 30% | (696,986) | (376,656) |
| Add / (Less) Tax effect of: | | |
| - Legal fees | 250,351 | - |
| - Capital loss on investment | 90,000 | - |
| - Share-based payments | 9,205 | 264,168 |
| - Other | - | (130,748) |
| Tax losses not recognised | 347,430 | 243,236 |
| Income tax attributable to operating loss | - | - |
| (c) Current tax liability | | |
| Current tax relates to the following: | | |
| Current tax liabilities / (assets) | - | - |
| Opening balance | - | - |
| Income tax | - | - |
| (d) Deferred tax | | |
| Deferred tax relates to the following: | | |
| Deferred Tax Assets balance comprises: | | |
| Accruals | 172,312 | - |
| Provisions - Annual & Long Service Leave | 30,753 | - |
| Provisions - Other | 900 | - |
| Capital Raising Costs | 169,090 | - |
| Business Related Costs | 4,036 | - |
| Tax Losses | 235,491 | 243,236 |
| Other | - | 154,892 |
| Less: Unrecognised deferred tax asset | (612,582) | (398,128) |
| | - | - |
| Deferred Tax Liabilities balance comprises: | | |
| Nil | - | - |
| Net Deferred Tax | - | - |
| (e) Deferred income tax (revenue)/ expense included in income tax expense comprises: | | |
| Decrease/(increase) in deferred tax assets | (487,756) | - |
| (Decrease)/increase in deferred tax liabilities | - | - |
| Adjust for derecognition of DTA/DTL | 487,756 | - |
| | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

| | CONSOLIDATED | |
|---------------------------------------------------------------------|--------------|------|
| | 2016 | 2015 |
| | \$ | \$ |
| The applicable weighted average effective tax rates are as follows: | Nil% | Nil% |
| Balance of franking account at year end | Nil | Nil |

The tax losses not recognised as at 30 June 2016 are \$3,918,027 (2015: \$3,133,058).

Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

BGD Corporation Ltd and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 April 2016. BGD Corporation Ltd is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 5: KEY MANAGEMENT PERSONNEL

| | CONSOLIDATED | |
|------------------------------------------------------------------------|----------------|----------------|
| | 2016 \$ | 2015 \$ |
| The totals of remuneration paid to KMP during the year are as follows: | | |
| Short-term employee benefits | 163,623 | 131,866 |
| Post-employment benefits | 549 | - |
| Equity Settled | 30,683 | 219,621 |
| Total KMP Compensation | 194,855 | 351,487 |

Loans to Key Management Personnel

On 14 April 2016, 2,000,000 Options exercisable at \$0.042 were issued to the CEO, Mr Justin Walter. Of these options, 1,000,000 vested immediately. On 24 May 2016, a loan was made by the Company to Mr Walter in order to exercise these options. The loan was repaid in July 2016. The loan is disclosed in the financial statements within Trade and Other Receivables - Current. No interest was charged in respect of this loan.

There were no other loans made to Key Management Personnel during the financial year.

Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The group acquired the following services from entities that are controlled by members of the group's key management personnel:

- Capital raising fees of \$24,794 paid to Clinical Advisory Services Pty Ltd, a company controlled by Chairman, Mr Shane Tanner.
- Transaction advisory fees of \$336,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Project identification and management fees of \$240,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Brokerage fees of \$40,055 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Office rent of \$4,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Reimbursement of sundry expenses of \$39,676 associated with the equity capital raising and Modern Medical acquisition to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.

During the reporting period no loans were made to the Company from KMP during the reporting period.

NOTE 6: AUDITOR'S REMUNERATION

| | CONSOLIDATED | |
|----------------------------------------------------------|----------------|---------------|
| | 2016 \$ | 2015 \$ |
| Auditing or reviewing the prior period financial reports | - | 32,960 |
| Auditing or reviewing the financial reports | 122,570 | 23,690 |
| Total | 122,570 | 56,650 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 7: LOSS PER SHARE

| | CONSOLIDATED | |
|--------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| | 2016 \$ | 2015 \$ |
| Loss per share | (1.58) cents | (2.25) cents |
| Loss used in calculation of basic EPS | (2,323,288) | (1,255,519) |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share | 147,246,097 | 55,845,380 |

The weighted average number of ordinary shares used in the calculation of loss per share for the year ending 30 June 2016 has been adjusted for the share consolidation completed by the company on 15 January 2016. Diluted loss per share has not been calculated as any option outstanding at 30 June 2016 and 30 June 2015 will be anti-dilutive.

NOTE 8: CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | |
|-----------------------------------------------------------------------|------------------|------------------|
| | 2016 \$ | 2015 \$ |
| Cash and Cash Equivalents | | |
| Cash at bank | 1,999,190 | 1,204,140 |
| Total cash and cash equivalents in the statement of cash flows | 1,999,190 | 1,204,140 |

Cash at banks earn interest at floating rates based on daily bank deposit rates.

| | CONSOLIDATED | |
|----------------------------------------------------------------------------------|------------------|--------------------|
| | 2016 \$ | 2015 \$ |
| Cash flow reconciliation | | |
| Reconciliation of net profit after tax to net cash flows from operations: | | |
| Loss after income tax from continuing operations | (2,323,288) | (1,255,519) |
| Adjustments to reconcile loss after tax to net cash flows: | | |
| Depreciation of property, plant and equipment | 19,285 | - |
| Share based payment expense | 30,683 | 880,561 |
| Impairment of investment | 300,000 | - |
| Amortisation of prepayments and provisions | 47,917 | - |
| Changes in assets and liabilities | | |
| (Increase) in trade and other receivables | (268,652) | (40,835) |
| (Increase) in prepayments | (579) | (3,896) |
| Increase in trade and other payables | 1,778,386 | (763,597) |
| (Decrease) in provisions | (735) | - |
| Cash flow from (used in) operations | (416,983) | (1,183,286) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Credit Standby Facilities

The Group has no credit standby facilities.

Non-Cash Investing and Financing Activities

On 7 April 2016, the Company issued 83,181,818 fully paid ordinary shares at an issue price of \$0.039 to the vendor as part consideration for its acquisition of the business and assets of three Modern Medical clinics in Melbourne, Victoria.

NOTE 9: TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | |
|----------------------------------------------|----------------|---------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Trade and Other Receivables - Current | | |
| Owed by unrelated medical clinics | 96,683 | - |
| Owed by related parties | 42,746 | - |
| Trade receivables | 16,500 | - |
| GST receivable | 146,796 | 20,731 |
| Other debtors | 6,762 | 20,104 |
| | 309,487 | 40,835 |

Refer to Note 5 for details of Loans to Key Management Personnel.

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

NOTE 10: OTHER ASSETS

| | CONSOLIDATED | |
|------------------|----------------|--------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Prepaid expenses | 52,393 | 9,397 |
| Deposits paid | 105,500 | - |
| | 157,893 | 9,397 |

Included within Deposits paid is a payment of \$100,000 made to the vendors of the Health Networks Australia Investments in relation to the non-binding conditional term sheet entered into on 29 October 2015. This deposit will be offset against any consideration payable to the vendors should any acquisition proceed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

| | Leasehold Improvements | Plant and equipment | Other assets | Total |
|------------------------------------|---------------------------|------------------------|----------------|----------------|
| | \$ | \$ | \$ | \$ |
| Cost or valuation | | | | |
| At 1 July 2014 | - | - | - | - |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| At 30 June 2015 | - | - | - | - |
| Additions | 7,423 | 4,020 | 72,999 | 84,442 |
| Acquisition of a subsidiary | 175,035 | 219,960 | 73,838 | 468,833 |
| Disposals | - | - | - | - |
| At 30 June 2016 | 182,458 | 223,980 | 146,837 | 553,275 |
| Depreciation and impairment | | | | |
| At 1 July 2014 | - | - | - | - |
| Depreciation charge for the year | - | - | - | - |
| Impairment | - | - | - | - |
| Disposals | - | - | - | - |
| At 30 June 2015 | - | - | - | - |
| Depreciation charge for the year | 4,690 | 11,586 | 26,176 | 42,452 |
| Impairment | - | - | - | - |
| Disposals | - | - | - | - |
| At 30 June 2016 | 4,690 | 11,586 | 26,176 | 42,452 |
| Net book value | | | | |
| At 30 June 2015 | - | - | - | - |
| At 30 June 2016 | 177,768 | 212,394 | 120,661 | 510,823 |

Chattel Mortgages

The carrying value of leasehold improvements, plant and equipment and other assets held under chattel mortgages at 30 June 2016 was \$463,990 (2015: \$ nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | CONSOLIDATED | |
|------------------------------------------------------|--------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Current assets | - | - |
| Non-current assets | - | 600,000 |
| Current liabilities | - | - |
| Non-current liabilities | - | - |
| Equity | - | 600,000 |
| Group's carrying amount of the investment | - | 300,000 |
| Revenue | - | - |
| Cost of sales | - | - |
| Profit before tax | - | - |
| Income tax expense | - | - |
| Profit for the period (continuing operations) | - | - |
| Group's share of profit for the period | - | - |

Since the Company has moved its focus to the healthcare industry, the activities of Euroa Steel Plant Joint Venture (ESPP) are no longer consistent with the objectives of the company.

As a consequence of this, together with a view that the carrying amount of Company's investment in ESPP is unlikely to be realised, during the year the Company fully impaired its investment in the ESPP and subsequently divested its residual interest in the project for \$1.00 under the terms of the agreement with the joint venture documentation relating to that project. The loss attributable to this impairment for the year was \$300,000.

| Name | Principal Activities | Country of Incorporation | % | % |
|---------------------------|----------------------|--------------------------|---|----|
| Euroa Steel Plant Pty Ltd | Metal Forging | Australia | - | 50 |

NOTE 13: NON-CURRENT PREPAYMENTS

| | CONSOLIDATED | |
|---------------------------------------|----------------|----------|
| | 2016 | 2015 |
| | \$ | \$ |
| Prepaid Call Options – Modern Medical | 500,000 | - |
| Less: accumulated amortisation | (47,917) | - |
| | 452,083 | - |

On 7 April 2016, the Company paid a fee of \$500,000 in relation to providing the Company an exclusive right to acquire the operation of a further four MMG clinics in Victoria. Under an Option Deed the Company agreed to grant the MMG vendors a put option over the clinics and the MMG Vendors agreed to grant a call option to the Company. The Options have been granted in two tranches exercisable prior to March 2018 and March 2019 respectively. The exercise price of the Options is dependent on the financial performance of the clinics in the 12-month period prior to them being exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

The total consideration of \$500,000 was paid on 7 April 2016 and is apportioned between the four clinics as follows:

| Clinic | Option Fee \$ | Option Expiry Date |
|------------------------------|----------------|--------------------|
| Modern Medical Craigieburn | 75,000 | 31-Mar-18 |
| Modern Medical Bayswater | 75,000 | 31-Mar-18 |
| Modern Medical Hobsons Bay | 175,000 | 31-Mar-19 |
| Modern Medical Wyndham Vale | 175,000 | 31-Mar-19 |
| Total call option fee | 500,000 | |

The prepaid cost of the options is being amortised over the option period in respect of each call option and is subject to impairment at each reporting date.

NOTE 14: BUSINESS COMBINATION AND ACQUISITION

Acquisition of Business Assets and Certain Liabilities of Modern Medical

On 1 April 2016, BGD Medical Centres Pty Ltd, a wholly owned subsidiary of BGD Corporation Ltd ("BGD"), acquired business assets and certain liabilities of three unit trusts from the common trustee; Modern Medical Pty Ltd. The assets and liabilities acquired comprise the businesses of three Modern Medical clinics in the Melbourne suburbs of Balwyn, and Caroline Springs ("Modern Medical Clinics"). The acquisition was effected in accordance with the terms and conditions of the Sale of Business Deed which was executed by the Company on 10 November 2015.

The fair value of the identifiable assets and liabilities of Modern Medical Pty Ltd as at the date of acquisition were as follows:

| | Fair value recognised on acquisition \$ |
|--------------------------------------|-----------------------------------------------|
| Current Assets | |
| Cash at bank | 31,648 |
| Total Current Assets | 31,648 |
| Non-Current Assets | |
| Lease - make-good provision asset | 49,833 |
| Plant and Equipment at Fair Value | 468,833 |
| Total Non-Current Assets | 518,666 |
| Total Assets | 550,314 |
| Current Liabilities | |
| Trade creditors | 6,775 |
| Other creditors | 36,129 |
| Leave provisions | 95,026 |
| Chattel Mortgages | 165,686 |
| Total current liabilities | 303,616 |
| Non-Current Liabilities | |
| Leave provisions | 10,869 |
| Lease make-good provision | 70,000 |
| Operating lease liability | 297,531 |
| Chattel Mortgages | 389,126 |
| Total Non-Current Liabilities | 767,526 |
| Total liabilities | 1,071,142 |
| Net Assets | (520,828) |
| Fair value of net assets | (520,828) |
| Goodwill recognised in the accounts | 5,669,556 |
| Purchase price | 5,148,728 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

A fair value adjustment to plant and equipment of \$149,532 has been made to align the depreciation rates previously used by the Modern Medical Clinics with the depreciation rates used by the Group. No other adjustments to acquisition values have been deemed necessary at 30 June 2016. At this stage acquisition accounting remains provisional as the business continues to identify purchase price adjustments, for example, the earn-out estimate.

The goodwill of \$5,669,556 comprises the fair value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, the Modern Medical businesses contributed \$1,019,185 of revenue and \$75,692 to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the financial year, the Groups' revenue from continuing operations would have been \$4,165,385 and the profit before tax from continuing operations would have been \$568,056.

Purchase consideration

The total purchase consideration paid was therefore \$5,148,728 made up as follows:

| | \$ |
|--------------------------|------------------|
| Cash consideration | 1,665,595 |
| Consideration shares | 3,244,091 |
| Contingent consideration | 239,042 |
| Purchase price | 5,148,728 |

Consideration shares

The Group issued 83,181,818 ordinary shares as part of the purchase price for the Modern Medical Clinics. The fair value of the shares was calculated with reference to the price at which the Company made an offer by Prospectus on 23 January 2016 of 154 million shares at \$0.039 per share which was fully subscribed given the market quotation on 7 April 2016, the date consideration shares were issued, is not available.

Contingent consideration

A contingent liability has been recognised in the financial accounts in short term provisions – current in relation to the potential earn-out amount payable in March 2017 to the Modern Medical vendors pursuant to the Sale Deed between the Company and the vendors. The earn-out amount is calculated based on the financial performance of the clinics for the year ending 31 December 2016. The earn-out amount is to be paid 50% in cash and 50% to be satisfied by the issue of shares in the Company.

The earn-out is conditional on Director Dr Todd Cameron remaining in the Business in a management capacity until 31 March 2017. The amount payable to Dr Todd Cameron has been treated as remuneration.

The earn-out payment is calculated by reference to the Maintainable EBIT of the clinics acquired for the calendar year ending 31 December 2016 in accordance with the table below, calculated on a pro-rata basis:

| CY16 EBIT Range (\$) | | Earn-Out Payment Range (\$) | |
|----------------------|-----------|-----------------------------|------------|
| - | 894,109 | - | - |
| 894,110 | 1,094,110 | 417,605 | 1,517,605 |
| 1,094,111 | 1,294,111 | 1,517,611 | 2,617,611 |
| 1,294,112 | 1,494,112 | 2,617,616 | 3,717,616 |
| 1,494,113 | 1,694,113 | 3,717,622 | 4,817,622 |
| 1,694,114 | 1,894,114 | 4,817,627 | 5,917,627 |
| 1,894,115 | 2,094,115 | 5,917,633 | 7,017,633 |
| 2,094,116 | 2,294,116 | 7,017,638 | 8,117,638 |
| 2,294,117 | 2,494,117 | 8,117,644 | 9,217,644 |
| 2,494,118 | 2,694,118 | 9,217,649 | 10,317,649 |
| 2,694,119 | 2,894,119 | 10,317,655 | 11,417,655 |
| 2,894,120 | 3,094,120 | 11,417,660 | 12,517,660 |

Any significant increase (decrease) in the EBIT of the Modern Medical Clinics would result in higher (lower) fair value of the contingent consideration liability. As at 30 June 2016, the Company's financial forecast for the Modern Medical businesses confirm that it is highly probable that an earn-out amount will be payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Analysis of cash flow on acquisition

| | \$ |
|------------------------------------------------------------------------------------------|--------------------|
| Cash consideration paid | (1,665,595) |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | 31,648 |
| Net cash flow on acquisition | (1,633,947) |

NOTE 15: TRADE PAYABLES AND ACCRUALS

| | CONSOLIDATED | |
|-------------------------------------|------------------|---------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Trade and Other Payables | | |
| Current | | |
| Trade payables and accruals | 1,200,414 | 63,168 |
| Unearned income | 684,045 | - |
| | 1,884,459 | 63,168 |
| Provisions | | |
| Current | | |
| Employee benefits | 88,886 | - |
| Earn-out provision | 239,042 | - |
| | 327,928 | - |
| Provisions | | |
| Non-Current | | |
| Employee benefits | 13,624 | - |
| Lease make-good provision | 70,000 | - |
| Operating lease liability provision | 303,098 | - |
| | 386,722 | - |

Terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Unearned revenue relates to sub-lease rental income received in advance.

Earn-out provision

Refer Note 14 for details of the earn-out provision.

Lease make-good provision

A provision has been recognised in relation to the obligations of the Group under property leases to restore leasehold property to a specified condition level at the end of the respective leases.

Operating lease liability provision

On acquisition of the Modern Medical clinics a provision was recognised for the fact that the agreed lease payments on the operating lease were significantly lower for an agreed period. The provision has been calculated based on the difference between the market rate and the actual rate paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 16: INTEREST BEARING LIABILITIES

| | Interest rate % | Maturity | CONSOLIDATED | |
|----------------------------------------------------------------|--------------------|-----------|----------------|------------|
| | | | 2016 \$ | 2015 \$ |
| Current interest-bearing loans and borrowings | | | | |
| <i>Chattel mortgages:</i> | | | | |
| Investec - Balwyn (1) | 6.00% | 23-Oct-16 | 6,595 | - |
| Investec - Balwyn (2) | 6.30% | 30-Jun-19 | 52,312 | - |
| Medfin - Balwyn | 6.53% | 23-Jul-20 | 6,092 | - |
| Investec - Caroline Springs | 7.20% | 25-Feb-19 | 24,107 | - |
| Bank of Queensland - Caroline Springs | 6.25% | 13-Jan-20 | 61,649 | - |
| Total current interest-bearing loans and borrowings | | | 150,755 | - |
| Non-current interest-bearing loans and borrowings | | | | |
| <i>Chattel mortgages:</i> | | | | |
| Investec - Balwyn (2) | 6.30% | 30-Jun-19 | 115,021 | - |
| Medfin - Balwyn | 6.53% | 23-Jul-20 | 20,966 | - |
| Investec - Caroline Springs | 7.20% | 25-Feb-19 | 44,231 | - |
| Bank of Queensland - Caroline Springs | 6.25% | 13-Jan-20 | 172,033 | - |
| Total non-current interest-bearing loans and borrowings | | | 352,251 | - |
| Total interest-bearing loans and borrowings | | | 503,006 | - |

Chattel mortgage commitments

The Group has entered into chattel mortgage contracts for various items of plant and medical equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 17: ISSUED CAPITAL AND RESERVES

| Date | Details | CONSOLIDATED | |
|------------------|-----------------------------------------------|--------------------|-------------------|
| | | 2016 Shares | 2016 \$ |
| 1-Jul-15 | Opening balance | 104,004,590 | 56,437,509 |
| 7-Apr-16 | Share issue - General placement | 102,564,103 | 4,000,000 |
| 7-Apr-16 | Share issue - Vendor consideration | 83,181,818 | 3,244,091 |
| 7-Apr-16 | Share issue costs | - | (467,749) |
| 24-May-16 | Share issue - conversion of options exercised | 1,000,000 | 42,000 |
| 30-Jun-16 | Closing balance | 290,750,511 | 63,255,851 |

| Date | Details | CONSOLIDATED | |
|------------------|---------------------------------|--------------------|-------------------|
| | | 2015 Shares | 2015 \$ |
| 1-Jul-14 | Opening balance | 4,004,558 | 54,036,006 |
| 23-Dec-14 | Share issue - General placement | 83,333,349 | 2,500,000 |
| 23-Dec-14 | Share issue - Promotor shares | 16,666,683 | 500,000 |
| 23-Dec-14 | Share issue costs | - | (598,497) |
| 30-Jun-15 | Closing balance | 104,004,590 | 56,437,509 |

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

Share consolidation

Pursuant to resolutions passed at Extraordinary General Meeting held on 7 January 2016, a 1:3 share consolidation was effected on 15 January 2016. All shares have been retrospectively adjusted to reflect this.

Share issue under Prospectus

Pursuant to a Prospectus issued on 13 January 2016, 102,564,103 fully paid ordinary shares were issued at \$0.039 per share on 7 April 2016.

Share issue as vendor consideration

Pursuant to the Sale Deed with the vendors of the Modern Medical business, 83,181,818 fully paid ordinary shares were issued at \$0.039 per share on 7 April 2016.

Share issue on conversion of options exercised

On 24 May 2016, the Chief Executive Officer, Mr Justin Walter exercised 1,000,000 options and the Company issued 1,000,000 fully paid ordinary shares to Mr Walter at an issue price of \$0.042 per share.

Other share capital transactions

On 8 September 2015, 833,333 options were issued to each of Mr Shane Tanner and Mr Craig Higgins. Shareholder approval for these options was first given on 8 April 2015. Due to a technical oversight on the part of the Company however, the options were not issued within the ASX listing rule 1-month time limit and as a consequence, could not be issued without further shareholder approval.

Further approval was received on 1 September 2015 and the options were subsequently issued on 8 September 2015.

For accounting purposes, 8 April 2015 was taken as the Grant Date and for the year ending 30 June 2015 these options were valued using a Black Scholes option pricing model at \$31,282. Details of this valuation and the variables used in its calculation are included in the 2015 Annual Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Capital management

The Directors' objectives when managing capital are to ensure that the Group can fund its operations and continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet due diligence programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

Nature and Purpose of Reserves

Option Reserve

The option reserve is used to recognise the value of equity-settled share based payments. Refer to Note 18 for further details.

NOTE 18: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2016:

On 14 April 2016, 2,000,000 options exercisable at \$0.042 per option were granted to the Chief Executive Officer, Mr. Justin Walter as a Long Term Incentive. The options were valued under the Black-Scholes option pricing model. The terms of the issue of these options were as follows:

- 1,000,000 options vested immediately
- 1,000,000 options vest on the first anniversary after Mr. Walter's commencement of employment, on 14 April 2017 or earlier if there is a defined liquidity event occurring prior to this time
- Any unvested options lapse if his employment is terminated under the employment agreement.

The share based payment expense recognised in the profit and loss statement for the year ended 30 June 2016 was \$30,683.

The expense recognised for employee services received during the year is shown below:

| | 2016 \$ | 2015 \$ |
|---------------------------------------------------------------|------------|------------|
| Share based payment expense recognised in the profit and loss | 30,683 | 880,561 |

On 15 January 2016 the Company consolidated its issued shares on a 1 for 3 basis. As a consequence, outstanding options were similarly consolidated and their exercise price increased threefold. There were no cancellations or other modifications to the awards in 2016 or 2015.

A summary of the movements of all company options issued is as follows:

| | 2016 Options | 2016 WAEP | 2015 Options | 2015 WAEP |
|------------------------------------|-------------------|----------------|-------------------|---------------|
| Outstanding at 1 July | 33,445,289 | \$0.030 | 111,957 | \$0.03 |
| Granted during the year | 2,000,000 | \$0.042 | 33,333,332 | \$0.03 |
| Forfeited during the year | (111,957) | - | - | - |
| Exercised during the year | (1,000,000) | \$0.042 | - | - |
| Outstanding at 30 June 2016 | 34,333,332 | \$0.033 | 33,445,289 | \$0.03 |
| Exercisable at 30 June 2016 | 16,666,667 | \$0.030 | 16,666,667 | \$0.03 |

The weighted average remaining contractual life for the share options outstanding as at 30 June 2016 was 2.46 years (2015: 3.00 years).

The weighted average fair value of options granted during the year was \$0.025 (2015: \$0.066).

The range of exercise prices for options outstanding at the end of the year was \$0.042 to \$0.030.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

These values were calculated using the Black-Scholes option pricing model applying the following inputs:

| | 2016 | 2015 |
|----------------------------------|---------|--------|
| Exercise price | \$0.042 | \$0.01 |
| Option life | 3 | 3 |
| Expected share price volatility: | 100% | 100% |
| Risk-free interest rate: | 1.58% | 2.29% |

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

NOTE 19: SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group only has one segment being, the operation of medical clinics in Victoria. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

NOTE 20: FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, other debtors and accounts payable.

The main purpose of non-derivative financial instruments is to raise finance for Group's operations. The Group does not speculate in the trading of derivative instruments.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk and liquidity risk.

(a) Interest rate risk

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is below:

| | Floating Interest Rate | Non-interest bearing | 2016 | Floating Interest Rate | Non-interest bearing | 2015 |
|------------------------------------------|------------------------|----------------------|--------------------|------------------------|----------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | |
| Current financial assets | | | | | | |
| Cash and cash equivalents | 1,999,190 | - | 1,999,190 | 1,204,140 | - | 1,204,140 |
| Other receivables | - | 309,487 | 309,487 | - | 40,835 | 40,835 |
| Other assets | - | 157,893 | 157,893 | - | - | - |
| Current financial assets | 1,999,190 | 467,380 | 2,466,570 | 1,204,140 | 40,835 | 1,244,975 |
| Total financial assets | 1,999,190 | 467,380 | 2,466,570 | 1,204,140 | 40,835 | 1,244,975 |
| <i>Wgtd. average interest rate</i> | <i>0.79%</i> | | | <i>0.79%</i> | | |
| Financial Liabilities | | | | | | |
| Current financial liabilities | | | | | | |
| Trade and other payables | - | 1,884,459 | 1,884,459 | - | 63,168 | 63,168 |
| Short term provisions | - | 327,928 | 327,928 | - | - | - |
| Interest bearing liabilities | 150,755 | - | 150,755 | - | - | - |
| Current financial liabilities | 150,755 | 2,212,386 | 2,363,142 | - | 63,168 | 63,168 |
| Non-current financial liabilities | | | | | | |
| Provisions | - | 386,722 | 386,722 | - | - | - |
| Interest bearing liabilities | 352,251 | - | 352,251 | - | - | - |
| Lease make-good provision | - | 70,000 | 70,000 | - | - | - |
| Operating lease liability provision | - | 303,098 | 303,098 | - | - | - |
| Non-current financial liabilities | 352,251 | 759,820 | 1,112,071 | - | - | - |
| Total financial liabilities | 503,006 | 2,972,206 | 3,475,213 | - | 63,168 | 63,168 |
| Net financial assets | 1,496,184 | (2,504,827) | (1,008,643) | 1,204,140 | (22,333) | 1,181,807 |

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

| | Movement in Profit \$ | Movement in Equity \$ |
|--------------------------------|-----------------------------|-----------------------------|
| Year ended 30 June 2016 | | |
| +/-1% in interest rates | 19,992 | 19,992 |
| Year ended 30 June 2015 | | |
| +/-1% in interest rates | 12,041 | 12,041 |

(b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group does not have any material credit risk exposure to any single receivable or company of receivables under financial instruments entered into by the Group.

Credit risk exposures

The maximum exposure to credit risk is that to its debtors and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-.

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Refer to Capital Management, Note 17 for further information on the Group's Capital Management policy.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Net fair Value of financial assets and liabilities

Fair value estimation

Due to the short term nature of the receivables and payables the carrying value approximates fair value.

(e) Financial arrangements

Chattel mortgages

Chattel mortgages were assumed under the terms of the Sale Deed in relation to the acquisition of the Modern Medical clinics in Caroline Springs and Balwyn in April 2016. Refer note 14 for further details.

The chattel mortgages are secured against the assets of the relevant medical clinics.

The company has no other financial arrangements in place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 21: PARENT ENTITY DISCLOSURES

| | CONSOLIDATED | |
|-----------------------------------------------------|--------------------|--------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Financial Position of BGD Corporation Ltd | | |
| Assets | | |
| Current assets | 1,278,556 | 1,254,372 |
| Non-current assets | 5,620,834 | 300,000 |
| Total assets | 6,899,400 | 1,554,372 |
| Liabilities | | |
| Current liabilities | 944,378 | 63,168 |
| Total liabilities | 944,378 | 63,168 |
| Net assets | 5,955,022 | 1,491,204 |
| Equity | | |
| Issued capital | 63,255,851 | 56,437,509 |
| Reserves | 1,393,418 | 1,362,735 |
| Accumulated Losses | (58,694,247) | (56,309,040) |
| Total equity | 5,955,022 | 1,491,204 |
| Financial Performance of BGD Corporation Ltd | | |
| Loss for the year | (2,385,207) | (1,255,519) |
| Total comprehensive income | (2,385,207) | (1,255,519) |

There are no guarantees entered into by BGD Corporation Ltd for the debts of its subsidiary as at 30 June 2016 (2015: none).

There were no contingent liabilities as at 30 June 2016 (2015: Nil).

There were no commitments as at 30 June 2016 (2015: none).

NOTE 22: CONTROLLED ENTITIES CONSOLIDATED

| Controlled entity | Country of Incorporation | Class of Shares/Units | Percentage Owned | |
|---------------------------------------|--------------------------|-----------------------|------------------|------|
| | | | 2016 | 2015 |
| Boulder Steel (UAE) Limited* | Cayman Islands | Ordinary | 100% | 100% |
| EFS Holdings Pty Limited * | Australia | Ordinary | - | 100% |
| Euroa Steel Plant Project Pty Ltd * | Australia | Ordinary | - | 50% |
| BGD Medical Centres Pty Ltd | Australia | Ordinary | 100% | - |
| Modern Medical Group Pty Ltd + | Australia | Ordinary | 100% | - |
| Modern Medical Administration Trust + | Australia | Ordinary | 100% | - |

* The previous directors resolved on 22 July 2013 that the Group should be placed into voluntary administration and the Groups operations were suspended under the Administrators. A Deed of Company Arrangement was wholly effectuated on the 10 September 2014 and the control of the Company was handed back to the newly appointed directors. One entity associated with the Boulder Steel activities is in the process of being placed into liquidation or deregistered.

+ Certain ownership interests in two entities associated with the Modern Medical Group were transferred to the Group during the year. These entities had no trading activities, assets or liabilities during the period in which they owned by the Group during the year ended 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 23: COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into real property leases with lessors with lease terms between five and ten years. The Group has the option under the leases to extend the leases for two additional terms of five years.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2016 are as follows:

| | CONSOLIDATED | |
|-------------------------------------------------------|------------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Operating lease commitments – Group as lessee: | | |
| Within one year | 562,386 | 129,666 |
| After one year but not more than five years | 1,950,517 | - |
| More than five years | 1,316,308 | - |
| | 3,829,211 | 129,666 |

The Group has entered into real property leases with sub-lessees with lease terms of five years.

Future minimum rentals receivable by the Company under non-cancellable operating leases as at 30 June 2016 are as follows:

| | CONSOLIDATED | |
|----------------------------------------------------------|------------------|----------|
| | 2016 | 2015 |
| | \$ | \$ |
| Operating lease receivables - Group as sub-lessor | | |
| Within one year | 730,020 | - |
| After one year but not more than five years | 725,494 | - |
| More than five years | - | - |
| | 1,455,514 | - |

Under the sublease, rental income is received in advance of 1 July each year. Sublease rental income for the year ending 30 June 2017 was received in June 2016 and is recorded in the financial accounts as unearned income in Trade creditors and accruals – current.

Chattel mortgage commitments

The Group has entered into chattel mortgage contracts for various items of plant and medical equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

| | 2016 | | 2015 | |
|---------------------------------------------|------------------|---------------------------|------------------|---------------------------|
| | Minimum payments | Present value of payments | Minimum payments | Present value of payments |
| | \$ | \$ | \$ | \$ |
| Within one year | 178,443 | 150,755 | - | - |
| After one year but not more than five years | 379,072 | 352,251 | - | - |
| More than five years | - | - | - | - |
| Total minimum lease payment | 557,515 | | | |
| Less amounts representing finance charges | (54,509) | | | |
| Total | 503,006 | 503,006 | - | - |

Other commitments

The Group has no other commitments as at reporting date.

Legal claim contingency

The Group had no legal claim contingencies at reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Guarantees

The Group had no guarantees at reporting date.

Tax related contingencies

The Group had no significant tax related contingencies at reporting date.

Contingent liabilities

The Company has paid a deposit of \$100,000 to be held on trust on behalf of a potential acquisition target as part of the Group's ongoing acquisition due diligence activities. Under the terms of the agreement with the target entity, this deposit will not be refunded should the Company not proceed with the potential acquisition. If the Company proceeds with the potential acquisition, the deposit amount will be offset against any cash purchase consideration payable. The deposit has been disclosed in the financial accounts in Other assets – current.

Under the terms of the Sale Deed with the Modern Medical vendors, the Company agreed to pay to the vendors an earn-out payment in March 2017 based on the financial performance of the clinics for the year ending 31 December 2016. Refer to note 14 for further details. The provision has been disclosed in the financial accounts in Short term provisions – current.

NOTE 24: RELATED PARTY DISCLOSURES

Loans to KMP and their related parties

On 14 April 2016, 2,000,000 Options exercisable at \$0.042 were issued to the CEO, Mr Justin Walter. Of these options, 1,000,000 vested immediately. On 24 May 2016, a loan was made by the Company to Mr Walter in order to exercise these options. The loan was repaid in July 2016. The loan is disclosed in the financial statements within Trade and Other Receivables - Current. No interest was charged in respect of this loan.

There were no other loans made to Key Management Personnel during the financial year.

Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The group acquired the following services from entities that are controlled by members of the group's key management personnel:

- Capital raising fees of \$24,794 paid to Clinical Advisory Services Pty Ltd, a company controlled by Chairman, Mr Shane Tanner.
- Transaction advisory fees of \$336,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Project identification and management fees of \$240,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Brokerage fees of \$40,055 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Office rent of \$4,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Reimbursement of sundry expenses of \$39,676 associated with the equity capital raising and Modern Medical acquisition to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.

During the reporting period no loans were made to the Company from KMP during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

Compensation of key management personnel

| | CONSOLIDATED | |
|------------------------------------------------------------------------|----------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| The totals of remuneration paid to KMP during the year are as follows: | | |
| Short-term employee benefits | 163,623 | 131,866 |
| Post-employment benefits | 549 | - |
| Equity Settled | 30,683 | 219,621 |
| Other payments | - | - |
| Total KMP Compensation | 194,855 | 351,487 |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

On 8 August 2016, Mr Glen Dymond joined the Company as Chief Financial Officer.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 26: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE ACCOUNTING PERIODS

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2016. Relevant Standards and Interpretations are outlined in the table below.

| New/revised pronouncement | Explanation of amendments | Application Date of Standard | Impact on Group Financial Report | Application Date of Group |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------------------------------|---------------------------|
| AASB 9 Financial Instruments | <p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p><i>Financial assets</i></p> <ul style="list-style-type: none"> a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. | 1 January 2018 | The group is currently evaluating the impact of the new accounting standard. | 1 July 2018 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

| New/revised pronouncement | Explanation of amendments | Application Date of Standard | Impact on Group Financial Report | Application Date of Group |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------|---------------------------|
| | <p><i>Financial liabilities</i></p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p><i>Impairment</i></p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p><i>Hedge accounting</i></p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February</p> | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

| New/revised pronouncement | Explanation of amendments | Application Date of Standard | Impact on Group Financial Report | Application Date of Group |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------------------------------|---------------------------|
| | 2015 and applies to annual reporting periods beginning on after 1 January 2015. | | | |
| AASB 15 Revenue from Contracts with Customers | <p>AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i> and related Interpretations (Interpretation 13 <i>Customer Loyalty Programmes</i>, Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, Interpretation 18 <i>Transfers of Assets from Customers</i>, Interpretation 131 <i>Revenue—Barter Transactions Involving Advertising Services</i> and Interpretation 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation | 1 January 2018 | The group is currently evaluating the impact of the new accounting standard. | 1 July 2018 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

| New/revised pronouncement | Explanation of amendments | Application Date of Standard | Impact on Group Financial Report | Application Date of Group |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------------------------------|---------------------------|
| | <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.</p> | | | |
| AASB 16 Leases | <p>The key features of ASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify | 1 January 2019 | The group is currently evaluating the impact of the new accounting standard. | 1 July 2019 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

| New/revised pronouncement | Explanation of amendments | Application Date of Standard | Impact on Group Financial Report | Application Date of Group |
|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------------------------------|---------------------------|
| | <p>its leases as operating leases of finance leases, and to account for those two types of leases differently.</p> <ul style="list-style-type: none"> AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>AASB 16 supersedes:</p> <ul style="list-style-type: none"> (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases-Incentives (d) SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p> | | | |
| IFRS 2 (Amendments) Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2] | <p>This standard amends to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <p>The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</p> <p>Share-based payment transactions with a net settlement feature for withholding tax obligations</p> <p>A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</p> | 1 January 2018 | The group is currently evaluating the impact of the new accounting standard. | 1 July 2018 |

The Group has decided not to early adopt any of the new and amended pronouncements. The impact of the above standards is yet to be determined.

DIRECTORS' DECLARATION

For the year-ended 30 June 2016

In accordance with a resolution of the directors of BGD Corporation Ltd, I stated that:

1. In the opinion of the directors:

- (a) the financial statements and notes of BGD Corporation Ltd for the financial year ended 30 June 2016 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.



Shane Tanner
Non-Executive Chairman
28 September 2016

OTHER ASX INFORMATION

For the year-ended 30 June 2016



Ernst & Young
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Sydney NSW 2000 Australia
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Independent auditor's report to the members of BGD Corporation Ltd

Report on the financial report

We have audited the accompanying financial report of BGD Corporation Ltd, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached to the financial report.



Basis for Qualified Opinion

As disclosed in note 1(b), the directors of BGD Corporation Ltd responsible for the preparation of this financial report were appointed on 10 September 2014. These directors did not have oversight or control over the consolidated entity, its accounting records and reporting systems at any time prior to 10 September 2014.

We were unable to obtain sufficient appropriate evidence to support transactions undertaken by the consolidated entity for the period 1 July 2014 to 10 September 2014 (the date the consolidated entity came out of administration). The transactions undertaken by the consolidated entity during this period impact the determination of the financial performance and cash flows of the consolidated entity for the year ended 30 June 2016.

We audited the financial report of the company for the year ended 30 June 2015 and were unable to and did not express an opinion as to the truth and fairness of its performance for the year ended on that date due to the existence of limitations on the scope of our work as detailed in our audit opinion dated 28 August 2015.

The results and cash flows of the company for the year ended 30 June 2015 are shown as comparatives in the 30 June 2016 year-end financial report.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report of BGD Corporation Ltd is in accordance with the *Corporations Act 2001*, including:

- a. the financial report of BGD Corporation Ltd is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1 a).



Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Basis for Disclaimer of opinion

As disclosed in note 1(b) to the accounts, the Directors of BGD Corporation Ltd who are responsible for the preparation of this financial report were appointed on 10 September 2014. The Directors have identified that they did not have oversight or control over the consolidated entity's reporting system at any time prior to 10 September 2014.

Due to the above, the Directors of BGD Corporation Ltd have been unable to conclude without qualification, within its directors' declaration, that the remuneration report of the consolidated entity for the financial year ended 30 June 2015 has been prepared in accordance with section 300A of the *Corporation Acts 2001*.

The remuneration of key management personnel of the company for the year ended 30 June 2015 are shown as comparatives in the 30 June 2016 year end remuneration report.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the Remuneration Report of BGD Corporation Ltd for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gamini Martinus'.

Gamini Martinus
Partner
Sydney
28 September 2016

OTHER ASX INFORMATION

For the year-ended 30 June 2016

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 14 November 2016.

Distribution of Equity Securities

| Range | Holders No | Number of shares |
|---------------------|---------------|---------------------|
| 1 - 1,000 | 180 | 38,923 |
| 1,001- 5,000 | 45 | 86,285 |
| 5,001 - 10,000 | 6 | 46,129 |
| 10,001 - 100,000 | 223 | 9,873,431 |
| 100,001 - 9,999,999 | 189 | 280,705,743 |
| Total | 643 | 290,750,511 |

Since listing the Company has issued 290,750,511 fully paid ordinary shares.

The number of shareholders holding less than a marketable parcel is 232.

Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

| Nº | Shareholder | Shares | % |
|-------|--------------------------------------------------------------------------|--------------------|--------------|
| 1 | TORAC PTY LTD <CAM A/C> | 37,431,818 | 12.87 |
| 2 | ALMIKE PTY LIMITED <ALMOND SUPER FUND A/C> | 25,128,206 | 8.64 |
| 3 | JKS GROUP HOLDINGS PTY LTD <THE JKS GROUP A/C> | 24,954,545 | 8.58 |
| 4 | COMO GROUP HOLDINGS PTY LTD <COMO A/C> | 20,795,455 | 7.15 |
| 5 | LIVERPOOL HOLDINGS PTY LTD <THE LIM FAMILY A/C> | 13,030,043 | 4.48 |
| 6 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 12,478,868 | 4.29 |
| 7 | GRACEMERE ENTERPRISES PTY LTD <WILLIAM BEST SUPERFUND A/C> | 6,666,667 | 2.29 |
| 8 | MR PETER CURRY | 6,666,667 | 2.29 |
| 9 | FOREIGN DIMENSIONS PTY LTD | 5,128,206 | 1.76 |
| 10 | UNITED EQUITY PARTNERS PTY LTD <POLYCORP FAMILY A/C> | 4,532,500 | 1.56 |
| 11 | BODIE INVESTMENTS PTY LTD | 4,391,408 | 1.51 |
| 12 | GRACELITE PTY LTD <SIGSTON FAMILY A/C> | 4,146,154 | 1.43 |
| 13 | TOCKNELL PTY LTD <THE TOCKNELL FAMILY A/C> | 3,965,386 | 1.36 |
| 14 | TIMSIM HOLDINGS PTY LTD <NO 2 A/C> | 3,600,000 | 1.24 |
| 15 | JOANNE LISA BASKIN | 3,383,333 | 1.16 |
| 16 | MR NICHOLAS DAVID YOUNG & MR ANDREW STEVEN YOUNG <YOUNG A/C> | 3,332,254 | 1.15 |
| 17 | LION HEART CAPITAL INVESTMENTS PTY LTD <LIONHEART CAPITAL HYBRID A/C> | 2,564,103 | 0.88 |
| 18 | DR ROGER THOMAS WELCH | 2,564,103 | 0.88 |
| 19 | NANDAROO PTY LIMITED | 2,564,103 | 0.88 |
| 20 | LIAM MURPHY PTY LTD <THE MURPHY FAMILY A/C> | 2,564,103 | 0.88 |
| 21 | MAIDEN INVESTMENTS PTY LIMITED <MAIDEN FAMILY A/C> | 2,564,103 | 0.88 |
| Total | | 192,452,025 | 66.19 |

OTHER ASX INFORMATION

For the year-ended 30 June 2016

Substantial Shareholders

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

| Shareholder | Shares | % |
|------------------------------------------------|--------------------|--------------|
| TORAC PTY LTD <CAM A/C> | 37,431,818 | 12.87 |
| ALMIKE PTY LIMITED <ALMOND SUPER FUND A/C> | 25,128,206 | 8.64 |
| JKS GROUP HOLDINGS PTY LTD <THE JKS GROUP A/C> | 24,954,545 | 8.58 |
| COMO GROUP HOLDINGS PTY LTD <COMO A/C> | 20,795,455 | 7.15 |
| Total | 108,310,024 | 37.25 |

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called; otherwise each member present at a meeting has one vote on a show of hands.

Statement of Cash Utilisation

BGD Corporation Ltd has used its cash and assets readily convertible to cash from the time admitted to the ASX to the 30 June 2016 in a way consistent with its business objectives.

Restricted Securities

There are securities subject to voluntary Escrow as below.

There are 27,727,273 securities subject to escrow until 6 April 2017.

There are 27,727,273 securities subject to escrow until 6 October 2017.

There are 27,727,272 securities subject to escrow until 6 April 2018.

On market buy-back

There is no current on-market buy back.

CORPORATE DIRECTORY

For the year-ended 30 June 2016

| | |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directors | Shane Tanner – Chairman Justin Walter – Managing Director and Chief Executive Officer Jonathan Lim - Director Dr Todd Cameron – Director Jeremy Kirkwood - Alternate Director to Dr Todd Cameron |
| Company Secretary | Heath Roberts |
| Registered Office | Level 2, 391 St Kilda Road Melbourne Victoria 3004 |
| Principal Place of Business | Level 2, 391 St Kilda Road Melbourne Victoria 3004 |
| Share Register | Automatic Registry Services Level 3 50 Holt Street Surry Hills NSW 2010 |
| Auditor | Ernst & Young 200 George Street Sydney NSW 2000 |
| Securities Exchange Listing | BGD Corporation Ltd shares are listed on the Australian Securities Exchange (ASX code: BGD) |