



AZURE
HEALTHCARE LIMITED

2016 ANNUAL REPORT

END OF FINANCIAL YEAR REPORT

For the Year Ended 30 June 2016



REGISTERED OFFICE

AZURE HEALTHCARE LIMITED
Level 18, 60 Albert Road
South Melbourne Victoria 3205
Australia

DIRECTORS

Mr Clayton Astles – Chief Executive Officer (appointed 31 July 2015)
Mr Graeme Billings– Non Executive Chairman (appointed 21 Oct 2015)
Mr Brett Burns– Non Executive Director (appointed 21 Oct 2015)
Mr Robert Grey – Executive Director (Resigned 21 Oct 2015)
Mr William Brooks – Non Executive Director (Resigned 21 Oct 2015)
Mr Greg Lewis – Non Executive Chairman (Resigned 12 Oct 2015)

COMPANY SECRETARY

Mr Jason D’Arcy

AUDITORS

BDO East Coast Partnership
Level 14, 140 William Street
Melbourne Victoria 3000
Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnson Street
Abbotsford Victoria 3067
Australia

BANKERS

Australia and New Zealand Banking Group Limited
Business Banking
Level 1, 91 Maroondah Highway
Ringwood Victoria 3134
Australia

Commonwealth Bank of Australia
Level 12, 385 Bourke Street
Melbourne, Victoria 3000
Australia

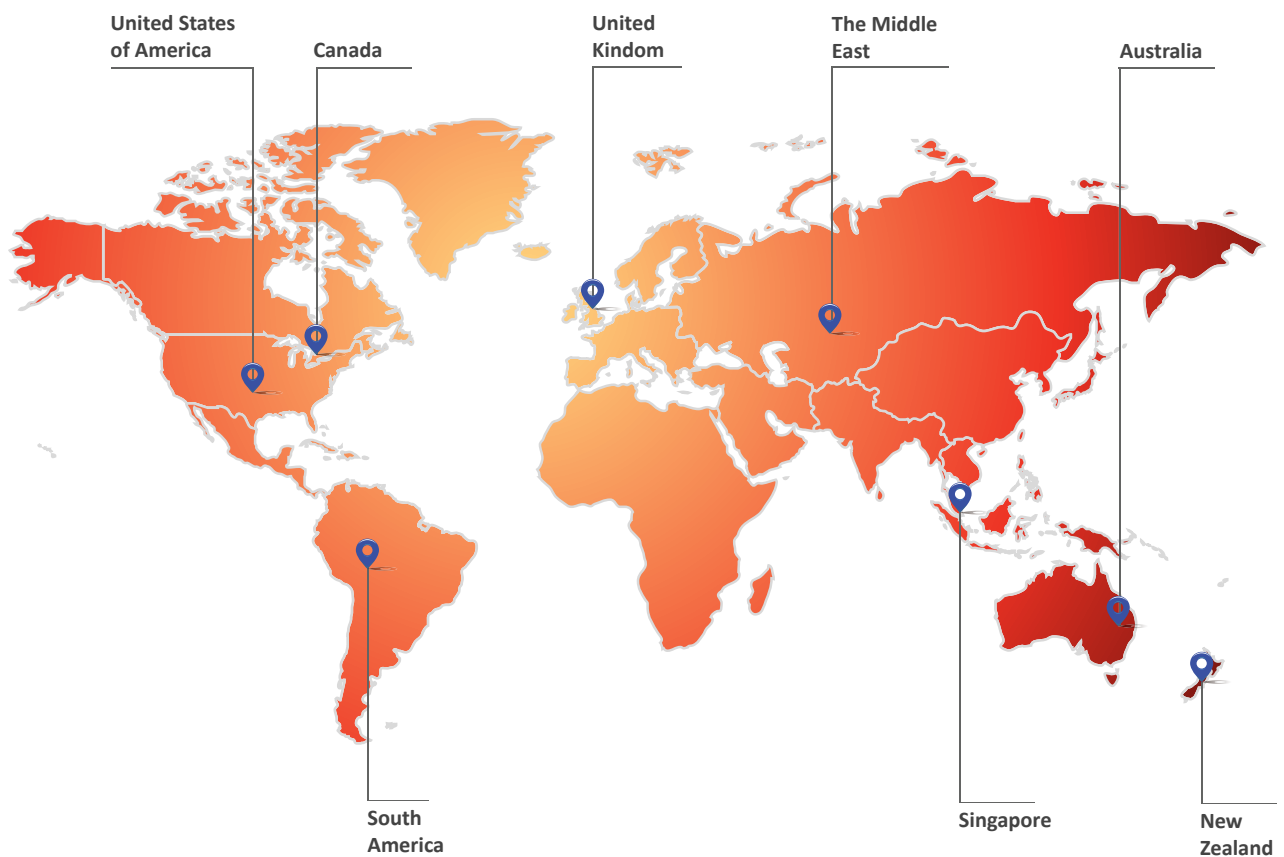
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Azure Healthcare Ltd

Azure Healthcare Ltd is a global healthcare communication and clinical management solutions provider. We are a dedicated team that operates with the highest level of integrity, using reliable hardware and forward thinking software solutions, which comply with global healthcare standards. We help our customers improve operating efficiency, cut costs and increase the level of patient accountability and care.

Azure Healthcare provides the highest standard of products and service. Every system we deploy is designed to focus on maximizing operational efficiency.



Our Mission

Our mission is to create a better care environment and transform the way information is exchanged in communication critical environments to the benefit of healthcare stakeholders, the business, staff and those to whom they have a duty of care.

Our Values

At Azure, we believe that we make a real difference; that what we do can save lives. As such we continuously strive for excellence in our work and operate according to 7 core values.

1. Focus on Customers

Our customers are the core of our business. We believe that success comes by listening, collaborating, and responding to our customers' needs.

2. Innovation and Flexibility

Our goal is to embrace new technologies and to evolve our thinking and products so that our customers can continue to thrive in a changing environment.

3. Quality

We are committed to quality. We are constantly striving to make improvements in products, processes and services.

4. Teamwork

Our most valuable asset is our multi-disciplinary, talented and diverse team. We respect and rely on one another in order to achieve great results.

5. Relationships

We actively build and nurture strong relationships with our partners, investors and stakeholders, so we can understand their needs and exceed their expectations.

6. Safety

Austco is committed to the safety of our employees; contractors and customers. To achieve this, Austco design and manufacture its products according to international standards and compliances.

7. Transparency and Integrity

We strive to be open and transparent in all our work and carry out our business with integrity and highest level of professionalism.

Dear Shareholders,

During the year the company undertook a comprehensive review of its operations and produced a corporate strategy and implementation timeline. We are currently on target with that timeline. Some of these strategies include product rationalisation, manufacturing transition to the United States, full FDA and regulatory compliance and research and development initiatives. The Directors are confident that these initiatives will be beneficial in the medium to long term for both the sustainable future and growth of the Company and for our shareholders.

Industry update

The healthcare industry is increasing their investment and reliance on information-based systems in order to assist with the increasing need for enhanced clinical risk and information solutions in order to provide better patient care. Azure has expanded its core systems functionality through a substantial research and development effort including our new Tacera Pulse information-based system, which is designed to meet customer demand for data analytics in this developing environment.


The Future

The future of the Company remains positive as increased investment flows and growth create significant revenue opportunities. Earlier this calendar year the Company successfully launched its Tacera Pulse software range and is already seeing successful conversions from pilot trials to actual orders. Tacera Pulse subscription revenues are now \$0.8 million annualised and growing whilst the Company is also targeting RTLS and Mobile app integrations by the end of the calendar year.

Governance

A number of key Governance changes occurred during the year including the appointment of myself as Independent Non-Executive Chairman and Mr Brett Burns as Independent Non-Executive Director. The Company now has a majority of Independent Non-Executive Directors in line with the Board's Charter.

I thank our shareholders for their continued support and patience as we look to build a strong and sustainable company.

A handwritten signature in black ink, appearing to read 'Graeme Billings', with a long horizontal flourish extending to the right.

Graeme Billings
Chairman

Dated this 26th day of September 2016, Melbourne

Austco Launches Tacera Pulse Software Platform

24 February, 2016

Austco Communication Systems Pty Ltd, a wholly owned subsidiary of Azure Healthcare Ltd (ASX:AZV), today announced the official launch of Tacera Pulse – Reports and Dashboards. This is the first component of the Tacera Pulse software suite, and represents an important milestone in Azure’s development of next generation clinical business intelligence solutions.

Austco’s Reports and Dashboards empowers healthcare organizations to improve operational efficiencies and financial outcomes by working seamlessly with existing IT infrastructures and integrates with Austco’s existing and future generation nurse call solutions including third party systems.

Tacera Pulse is a highly secure web-based portal designed to operate on any desktop browser, tablet or smartphone. Utilizing Pulse’s powerful tools, senior healthcare management can monitor call activity, staff response times and other valuable metrics, which are critical to improving patient care.

Tacera Pulse enhances operational productivity and allows healthcare organizations to accomplish their goals with minimal training and administrative costs. Improved access to data ensures that the right information is in the right hands when it is needed most. Pulse features a clean, intuitive interface, which was developed with input and feedback from healthcare professionals and industry experts.

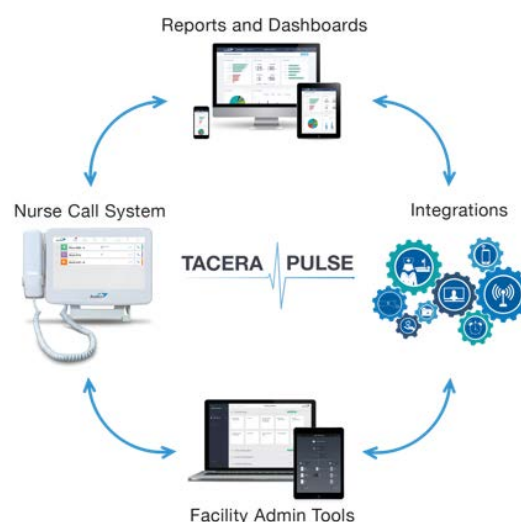
“We strive to provide best-in-class solutions that add value, improve productivity and allow healthcare professionals to focus on patient care”, commented Clayton Astles, Azure’s Chief Executive Officer.

“With Tacera Pulse’s Reports and Dashboards, facility management teams can accurately track and trend alarm activity to proactively make informed staffing adjustments and better overall staffing decisions.”

Tacera Pulse’s Reports and Dashboards enables healthcare facilities to work better, faster, and smarter by turning large volumes of data into visually rich graphs, charts and tables that drive improved resource allocation and decisions.

The release of Tacera Pulse Reports and Dashboards represents an important milestone in our Research & Development efforts to offer a leading subscription based clinical business intelligence system, which integrates with Austco’s hardware and third party systems.

The Tacera Pulse solution will interface with other on-site healthcare systems including, Real-Time Locating Systems (RTLS), smartphones and tablets, Admissions Discharge Transfer (ADT) Patient flow and other patient care devices to support our customers’ operational objectives.



Dear Shareholders,

The Company spent a large portion of the year and considerable resources to restructure the business including the transition of manufacturing from Perth to Dallas in the United States and product rationalisation which reduced the number of parts manufactured from over 800 to less than 300. Once completed at the end of the calendar year, these restructuring activities will help streamline order fulfilment, reduce operational costs and simplify regulatory compliance for the Company. The Board is committed to Azure's long-term future and recognise these actions as necessary to allow us to advance our goals of evolving into a clinical workflow management software business.

Board Composition

The Board underwent significant change in the 2016 financial year with the appointments of Independent Chairman Mr Graeme Billings and Independent Non Executive Director Mr Brett Burns. These Directors bring a diverse and welcome range of skills to the Azure Board and that these changes were in line with corporate governance best practise and ASX recommendations for a majority of Independent Non Executive Directors.

Research & Development

Expenditure

The Company's expenditure on Research and development (R&D) was \$2.9 million compared to \$4.5 million in the 2015 financial year. The release of Tacera Pulse during the financial year has enabled less intensive use of R&D resources for the balance of the financial year and is more in line with the Company's target of 8-10% of revenue. Whilst the Company spent \$1.5 million in R&D at its existing Melbourne facility to assist and deliver improvements to our existing third generation Tacera Nurse call platform, the Company also spent \$1.4 million at a second R&D facility in the USA to facilitate new software related products which will expand the Company's healthcare and clinical workflow solutions. In line with the Company's existing policy, the Company expensed these costs in the 2016 financial statements.

Product Release

In February 2016, Austco, a wholly owned subsidiary of Azure, officially launched Tacera Pulse - Reports and Dashboards, the first component of the Tacera Pulse subscription based software suite, representing the next generation of Austco's clinical business intelligence solutions.

Austco's Reports and Dashboards empower healthcare organizations to improve operational efficiencies and financial outcomes. Utilizing Pulse's powerful tools, senior healthcare management can monitor call activity, staff response times and other KPIs critical to improving patient care.

Tacera Pulse is a web-based portal designed to operate on any desktop browser, tablet or smartphone. As a cloud-based solution, data can be accessed from anywhere at any time. Improved access to data ensures that the right information is in the right hands when it is needed most. Pulse features an uncluttered, intuitive interface developed with input and feedback from healthcare professionals and industry experts.

Tacera Pulse works seamlessly with existing IT infrastructures and integrates with Austco's nurse call solutions and third party systems while providing the highest level of security.

Tacera Pulse's Reports and Dashboards enables healthcare facilities to work better, faster, and smarter by turning complex data and metrics into visually rich graphs, charts and tables which makes data-driven decision making simple and efficient. Key performance indicators provide healthcare organizations with actionable data needed to increase patient satisfaction, improve staff performance and optimize workflow.

Further innovation is on the way

The 4th generation Tacera Pulse software suite will interface with other on-site healthcare systems including, Real-Time Locating Systems (RTLS), smartphones and tablets, Admissions Discharge Transfer (ADT), patient flow and other patient care devices to support our customers' operational objectives. New tools will directly link the patient to their care provider and bridge the gap between patient needs and staff resources available. This project will progressively roll out over the 2016 calendar year and is targeted for completion in the 2017 calendar year.

Production

The Company has largely completed its transition of manufacturing its products in the USA. The rationale for this change is a direct result of increased world awareness for FDA compliant products. The Company is of the view that this trend will continue; in particular as healthcare products expand into clinical workflow and software solutions. The US is the leader in the healthcare innovation field with the remainder of the world tending to adopt US practices. Moreover the Company is engaging the fastest growing market in the United States where a strong presence is required.

Provisions

The Australian business will cease manufacturing on or before 31 December 2016. As such we have provided for the closure of the business including property make good and staff redundancies of \$0.4 million. A further provision been made for inventory items which have been identified as products which the Company will discontinue in the near future as a part of the rationalisation of existing products of \$0.6 million.

CellGuard divestment

This divestment process is still underway and the Board cannot reasonably ascertain if this activity will conclude in the current financial year. This process continues through an open bid tender process.

Operating Result

The consolidated loss from continuing operations of the Company after providing for income tax amounted to \$3.651 million (2015 profit: \$1.082 million). For further detail, refer to the Review of Operations below.





Review of Operations

Financial Performance Highlights:

1. Revenue and other income excluding interest income of \$32.023 million compared to \$34.950 million for the previous corresponding period.
2. Net loss after tax from continuing operations of \$3.651 million compared to \$1.082 million profit in the previous corresponding period.
3. EBIT loss of \$3.788 million compared to EBIT profit of \$0.2 million in the previous corresponding period.
4. Loss per share from continuing operations of 1.92 cents compared to earnings per share 0.57 cents in the previous corresponding period.
5. NTA of 4.83 cents per share compared to 6.50 cents per share in the previous corresponding period.
6. Negative operating cashflow of \$2.212 million with 30 June 2016 cash at bank of \$1.685 million.

The Company is on target to complete its strategic restructuring program by the end of the 2016 calendar year. These initiatives include the transition of its manufacturing operations to the USA and a complete review and rationalisation of products from over 800 to less than 300 items.

The 2016 financial year included the following significant variances and restructuring costs when compared to the previous corresponding period:

-  Revenue was marginally above target for the half year ended 31 December 2015 but the Company experienced a recent revenue slowdown relating to complex installation of products in respect of specific sites, translating into a \$2.93 million reduction for the 2016 full financial year as compared to the previous corresponding period. The revenue and other income slowdown attributes approximately \$1.43 million to the net loss after tax;
-  Margin reduction of 3.43% arising from additional costs associated with the complex installation of products in respect of specific sites, the operation of dual manufacturing facilities and increased raw material costs due to a higher US Dollar. The margin reduction attributes approximately \$1.12 million to the net loss after tax;
-  Provisions for the closure of Perth facility totalling \$0.3 million as well as provision for discontinued product inventory items of \$0.6 million; and
-  Costs associated with the setup and transfer of manufacturing to Dallas USA of \$0.4 million in relocation and recruitment expenses.

Revenue: Revenue and other income excluding interest income decreased by 8.4% to \$32.023 million compared to the previous corresponding period of \$34.95 million.

Earnings before Interest and Tax (EBIT): Net earnings before interest, tax, depreciation and amortisation, (EBITDA) were (\$3.149) million, whilst earnings before interest and tax (EBIT) were (\$3.788) million.

Net Profit After Tax (NPAT): Net profit after tax (NPAT) was (\$3.651) million compared to \$1.093 million in the previous corresponding period. The Azure Group produced earnings of (1.92) cents per share compared to 0.57 cents in the previous corresponding period.

Net Tangible Assets (NTA): Net Tangible assets have decreased from 6.5 cents to 4.83 cents per share.

Final Dividend: The directors have not declared a final dividend, as the Company will continue to focus on short-term working capital requirements for production expansion, Research and Development (R&D) investment, strategic restructuring and Group debt reduction.






Operating expenses: Operating expenses have increased by 7.4% over the prior corresponding period largely due to the increase in provisions explained above. Our R&D investment expenditure decreased from \$4.5 million in the 2015 financial year to \$2.9 million in the 2016 financial year. Increased employment costs associated with the Perth closure as well as running dual facilities adversely impacted the Employee benefits expense line item by \$1.73 million.

Cashflow: During the year the Company generated negative operating cashflow of \$2.212 million and finished the year with cash at bank of \$1.685 million. The Company believes that it has sufficient funds at this time to execute on its short to medium term strategies and believes that it has sufficient working capital available to fund the planned restructuring and R&D initiatives. Increased working capital for the North American operations included inventory increases of \$0.99 million.

Taxation: During the year the Company claimed tax credits for its R&D expenditure, which in turn created an additional deferred tax asset.

The future

In 2017 we will focus on the following key objectives and initiatives to improve our business:

-  Complete the business restructure including transition of manufacturing facilities and product rationalisation program – due for completion by December 2016
-  Renew focus on quality improvements including FDA and UL compliance
-  Streamline manufacturing and operational efficiencies
-  Establish a recurring revenue stream based on a subscription based pricing model
-  Build strategic partnerships with market-leading healthcare technology companies

During the 2016 financial year the Company has undertaken considerable restructuring initiatives. The benefits of this restructure are expected to be initially realised in the second half of the 2017 financial year and well into the future.

At Azure, we are committed to delivering shareholder value by creating innovative products and solutions while maintaining a methodical approach to investing shareholder capital. With our global presence, strong industry experience and talented staff, I am confident that we are uniquely positioned to take advantage of emerging trends in the healthcare industry which will benefit our business for years to come.

I would like to thank you, our shareholders, for your continued support and patience as we implement these initiatives.

On behalf of the Board of Directors and Executive Management team, I would like to thank our hard-working and passionate staff who are committed to delivering exciting products and fantastic customer service. In particular, I would like to take this opportunity to thank our outgoing Australian staff for their dedication and efforts, many of whom have worked tirelessly for many years at our Perth facility.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Clayton Astles', written in a cursive style.










Clayton Astles

Chief Executive Officer

Dated this 26th day of September 2016, Melbourne

ROLE OF THE BOARD

The role of the Board of Directors of the Company is to provide strategic guidance for Azure Healthcare Limited ("Azure") and effective oversight of management. The Board operates in accordance with ASX and Azure's Constitution and Board Charter, which describes the Board's composition, functions and responsibilities and designates authority reserved to the Board and that which is delegated to management. The Board's functions are set out in Azure's Board Charter and include:

-  Monitoring financial performance against agreed financial objectives;
-  Monitoring the implementation of the strategy approved by the Board;
-  Appointing, removing and monitoring the performance of the Chief Executive Officer, Chief Financial Officer and Company Secretary;
-  Ensuring appropriate succession planning for Board members and senior management;
-  Approving and monitoring financial and other reporting;
-  Determining the Company's dividend policy;
-  Approving and monitoring major capital expenditure, capital management, funding, acquisitions and divestments;
-  Overseeing risk management, control, accountability and compliance systems; and
-  Setting standards of behavior to enhance the reputation of Azure Healthcare Limited in the market and the community.

A copy of Azure's Board Charter may be obtained from the Company upon request.

COMPOSITION OF THE BOARD

As at the date of this Annual Report, the Directors were as follows:

Director's name	Appointment date	Length of Directorship at reporting date	Independence status
Mr Clayton Astles	31 July 2015	11 months	Not-independent Executive
Mr Graeme Billings(ii)	21 October 2015	8 months	Independent Non-executive
Mr Brett Burns (i)	21 October 2015	8 months	Independent Non-executive

(i) Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Management Committee.

(ii) Chairman of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee.

During the financial year ended 30 June 2016, the following Directors held the following designations:

Director's name	Resignation date	Length of Directorship at resignation date	Independence status
Mr Robert Grey	21 October 2015	5 years	Not-independent Executive
Mr William Brooks (i)	21 October 2015	5 years	Not-independent Non-executive
Mr Greg Lewis (ii)	12 October 2015	2 years	Independent Non-executive

(i) Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Management Committee.

(ii) Chairman of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee.

COMPOSITION OF THE BOARD (CONTINUED)

Each Director is a senior and experienced executive with skills and experience necessary for the proper supervision and leadership of the Company. Before appointing a director, or putting forward to shareholders a director for appointment, the company undertakes comprehensive reference checks that cover elements such as the person's character, experience, employment history, qualifications, criminal history, bankruptcy history, and disqualified officer status. Directors are required to declare each year that they have not been disqualified from holding the office of director by the Australian Securities and Investments Commission ('ASIC'). Details of the Directors, their experience and their special responsibilities with respect to the Company are set out on pages 24 to 26.

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

The Board consists of a majority of Independent Non Executive Directors and considers both Mr Graeme Billings and Mr Brett Burns to be independent as neither have served as executives of the Company or are substantial shareholders and meet the definition of independence as prescribed by the ASX Corporate Governance Council's Principles and Recommendations with 2010 Amendments (2nd edition) in accordance with ASX Listing Rule 4.10.3.

Through the Nomination and Remuneration Committee, which has met during the current financial year to consider appointments to management and the Board, directors have considered the balance of skills and experience required of Board members for the size and stage of development of Azure. Where additional skills are considered necessary for specific purposes, access is made to independent professional advice at the expense of the company.

BOARD FORMAL INDUCTION PROGRAM

The company does not have in place a formal induction program or professional development program for directors. The Chief Executive Officer and Chairman are responsible for providing all information considered necessary to an incoming director to enable them to contribute to the business of the company. Directors are responsible for their own development which includes identifying opportunities for them to attend courses or other information sessions to enhance their skills and knowledge.








CHAIRMAN AND BOARD INDEPENDENCE

Azure Healthcare Limited (the Company) meets the Australian Securities Exchange Corporate Governance recommendation that the Chairperson be independent. At the early stage of the Company's transition the most appropriate person for the position of Chairman was an Executive Director with sufficient industry experience to steer the Company through its next phase of development. The Company has now reached a point where separation of the two roles is appropriate and in line with best practice standards for corporate governance and the Board's charter. The Company's charter specifies that the Board should comprise a majority of Independent Non Executive directors and will consist of directors who have a proper understanding of the business and who can add shareholder value.

There are currently 3 Directors on the Company's Board and the majority of the Board are independent. Mr Billings and Mr Burns are considered independent whilst Mr Astles is not considered Independent as he is an Executive of the Company.

ROLE OF MANAGEMENT






The Board has delegated the day-to-day management of the company to the Chief Executive Officer, Chief Financial Officer and other senior executives ('management'). The company's management is responsible for the following:

-  Implementing the strategic objectives set by the Board;
-  Operating within the risk parameters set by the Board;
-  Operational and business management of the company;
-  Managing the company's reputation and operating performance in accordance parameters set by the Board;
-  Day-to-day running of the company;
-  Providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities;
-  Approving capital expenditure (except acquisitions) within delegated authority levels.

Senior executives have their roles and responsibilities defined in specific position descriptions. The Nomination and Remuneration committee conducted a performance evaluation in June 2016. The committee's recommendations included the examination of the performance of management against company deliverables and key performance indicators.

ROLE OF COMPANY SECRETARY

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:




-  Advising the Board and its Committees on governance matters;
-  Monitoring compliance of the Board and associated committees with policies and procedures;
-  Coordinating all Board business;
-  Retaining independent professional advisors;
-  Ensuring that the business at Board and committee meetings is accurately minuted; and
-  Assisting with the induction and development of directors.

RISK MANAGEMENT

The entire Board is responsible for overseeing the risk management function. The Company believes that it is crucial for all Board members to be a part of the process and as such has established risk management as a component of the Audit and Risk Management Committee.

The Board is responsible for ensuring risks and opportunities are identified on a timely basis.

The Board has a number of mechanisms in place to ensure management manages risk in an effective manner. These include the following:

-  Implementation of Board approved operating plans and budgets;
-  Board monitoring of progress against these budgets, including the monitoring of key performance indicators of both a financial and non-financial nature; and
-  The establishment of risk management identification and mitigation practices.

The Board maintains a combined Audit and Risk Committee. The members of the Committee are detailed on page 12.

The Charter of the Committee is available at the company's website <http://azurehealthcare.com.au/corporate-governance/audit-and-risk-committee-charter/> or upon






RISK MANAGEMENT (CONTINUED)

request from the Company. The charter includes the committee's responsibilities which include procedures for general risk oversight and monitoring, internal control and risk management, risk transfer and insurance and other responsibilities.

The Risk Committee reviews the company's risk management framework at least annually to ensure that it is still suitable to the company's operations and objectives and that the company is operating within the risk parameters set by the Board. As a consequence of the last review undertaken for the year ended 30 June 2016, there were no significant recommendations made.

INTERNAL RISK MANAGEMENT SYSTEM COMPLIANCE

Management is accountable to the Chief Executive Officer to ensure that operating efficiency, effectiveness of risk management procedures, internal compliance control systems and controls and policies are all being monitored. Management has designed and implemented a risk management and internal control system to manage the Company's material business risks and reports to the Board on the effective management of those risks. The Company has considered a series of operational risks which the Company believes to be inherent in the industry in which the Company operates. These include:

-  Changes to operating, market or regulatory environments;
-  Fluctuations in demand volumes;
-  Fluctuations in exchange rates;
-  Increasing costs of operations; and
-  Changes in competitive environment.

These risk areas are provided here to assist investors better understand the nature of the significant risks faced by the Company.

The Board requires the Chief Executive Officer and Chief Financial Officer every half year to provide a statement confirming that a sound system of risk management and internal control is in place and that the system is operating effectively in all material respects in relation to financial risks. The Board has received that assurance as part of the approval of this annual report.

MATERIAL EXPOSURE TO ECONOMIC ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS

The management of the company and the execution of its growth strategies are subject to a number of risks which could adversely affect the company's future development. The following is not an exhaustive list or explanation of all risks and uncertainties associated with the company (and its subsidiaries), but those considered by management to be the principal material risks:

Customer base	The company needs to retain and attract new customers, in sufficient numbers, especially in markets where the company already has a degree of market penetration. This is largely dependent on our technology offerings and service.
Research and development	The company is investing heavily in research and development. Our Research & Development efforts are currently focused on our 4th generation Tacera software platform that has an associated risk of customer uptake successful technical implementation and design success and acceptance.

MATERIAL EXPOSURE TO ECONOMIC ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS (CONTINUED)

Patents, trademarks and brand reputation	Maintaining and enhancing the brand is critical to the company's strategies going forward. If the company fails to meet customer (and supplier) expectations, negative publicity and complaints on social media platforms could damage the brand and ultimately reduce customers' willingness to buy from the company. If the company fails to maintain the brand or if excessive expenses are incurred in this effort, the company's business, results of operations, financial condition and financial results may be materially and adversely affected. As with all brands, the company is exposed to risk from unauthorised use of its trademarks and other intellectual property. Any infringement could lead to a loss in profits and have a negative impact on image and continued success. Patents and trademarks are registered and where any infringements are identified, appropriate legal action is taken
Cash and other financial risk	The management of cash is of fundamental importance. At the reporting date the consolidated entity had a cash balance of \$1.685 million (2015: \$3.157 million). The working capital will be used to carry out the company's restructuring plans, finance research and development and fund working capital requirements. The company is also exposed financial risks such as foreign currency risk and interest rate risk. Refer to the 'Financial Instrument' note to the financial statements for further information on these risks and how they are managed.
Loss of people	The company's senior executive team is instrumental in implementing the company's strategies and executing business plans which support the business operations and growth. The reseller network have strong supplier and customer relationships which are central to the company's ability to deliver products. The research and development team are critical to bringing new initiative products to market in a timely fashion. Service agreements are in place and the risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including short and long term incentive schemes) and succession planning within the team.
Equal opportunity	The company is committed to an active equal opportunities policy. It is the company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. Employment practices are applied which are fair, equitable and consistent with the skills and abilities of the employees and the needs of the company.
Disabled employees	Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

MATERIAL EXPOSURE TO ECONOMIC ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS (CONTINUED)

Environmental,
corporate and
social
responsibilities

The company's approach is to make a positive difference to the people, environment and communities in which it works.

INTERNAL AUDIT FUNCTION

The company does not have a dedicated internal audit function. The responsibility for risk management and internal controls lies with both the Chief Executive Officer and Chief Financial Officer who continually monitor the company's internal and external risk environment. Necessary action is taken to protect the integrity of the company's books and records including by way of design and implementation of internal controls, and to ensure operational efficiencies, mitigation of risks, and safeguard of company assets.

ATTENDANCE OF EXTERNAL AUDITOR AT ANNUAL GENERAL MEETING

The engagement partner for the company's audit attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

BOARD PRACTICES

The Board meets on a regular basis (and at other times as required) to evaluate, control, review and implement the Company's operations and objectives. The Directors receive monthly reports from the Chief Executive Officer and the Chief Financial Officer.

A Director, subject to prior consultation with the Chairman, may seek independent professional advice (including legal advice) at the Company's expense.

BOARD SKILLS MATRIX

The Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. The current Board members represent individuals that have extensive industry experience as well as professionals that bring to the Board their specific skills in order for the company to achieve its strategic, operational and compliance objectives. Their suitability to the directorship has therefore been determined primarily on the basis of their ability to deliver outcomes in accordance with the company's short and longer term objectives and therefore deliver value to shareholders.

All Board members are however expected to be able to demonstrate the following attributes:

Board Member Attributes

Leadership	Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.

BOARD SKILLS MATRIX (CONTINUED)

Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks

BOARD COMMITTEES

The Board has established two committees of Directors, the Audit and Risk Management Committee and the Remuneration Committee, to carry out certain tasks. Details of the names and relevant qualifications of the Directors appointed to these committees, the number of meetings of each committee held during the year ended 30 June 2016 and the attendance record for each Director can be found on page 36 of this Annual Report.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is chaired by a Non-Executive Director and consists of at least two members and has a documented charter (including guidelines for the nomination of Directors) approved by the Board, a copy is available at the company's website (<http://azurehealthcare.com.au/corporate-governance/remuneration-policy/>) or upon request from the Company. The ASX Corporate Governance guidelines recommend that the Nomination and Remuneration Committee has at least 3 members. With only two Independent Non-Executive Director this recommendation cannot be implemented although the Company believes that the perceived risk is outweighed by the experience and benefits that these Directors contribute.

For full details on the members of the committee, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, refer to page 36.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Board has established an Audit and Risk Management Committee, which is chaired by an independent Non-Executive Director and consists of at least two members. The Audit and Risk Management Committee has a documented charter approved by the Board, a copy of which may be obtained from the Company upon request. The ASX Corporate Governance guidelines recommend that the Audit and Risk Management Committee has at least 3 members with a majority of independent directors. The Company meets this recommendation.

For full details on the members of the committee, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, refer to page 36.

PERFORMANCE REVIEW

The Board has delegated the responsibility for evaluating the performance of the Non-Executive Directors to the Chairman. A performance evaluation was conducted in June 2016 and included the examination of the performance of the Board and the individual Board members against the Board Charter. The outcome of that evaluation was in line with the Company's Selection and appointment of Directors policy.

The Board has delegated the responsibility for evaluating the performance of the Company's executive management to the Nomination and Remuneration Committee. A performance evaluation was conducted in June 2016 and included the examination of the performance of Executive Management against the Board Charter. The outcome of that evaluation was in line with the Company's Selection and appointment policy.

Both the Board Charter and Appointment of Directors Policy are available on the Company's website: www.azurehealthcare.com.au

EVALUATING THE PERFORMANCE OF EXECUTIVE MANAGEMENT




The Company conducts annual performance reviews at the commencement of each financial year for all Executive Management. These appraisals are conducted by the Chief Executive Officer or immediate line manager and assess the past year's performance as well as set future performance goals for each Executive Manager. Each appraisal is completed in conjunction with each Manager's budget forecast for the following financial year and comprise operational, financial and non financial Key Performance criteria and goals.

REMUNERATION POLICY

In light of the shareholders voting against the Remuneration report at the last AGM, the Directors froze pay increases for all Board members. In addition to this, the Chief Executive Officer and Chief Financial Officer achieved all hurdles of the Company's strategic plan and achieved all non financial hurdles of their respective Key Performance Indicators for the last financial year. Some of these non-financial hurdles included new product development, the full-scale rollout of Tacera Pulse, customer engagement and satisfaction, work place safety, regulatory compliance and quality assurance. Despite having met these non-financial Key Performance Indicators the Chief Executive Officer and Chief Financial Officer voluntarily relinquished any payment of bonuses as they believe it was not in the best interest of shareholders given the financial performance of the Company whilst undertaking its restructuring program.

The Company's remuneration policy for the Board of Directors and Executive Management is structured to ensure that the remuneration package properly reflects the person's duties and responsibilities and level of performance. Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives. Share options and rights are aligned to longer term performance hurdles. Termination payments are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

Executive remuneration comprises the following elements:

-  Fixed remuneration, including superannuation, which is set at a level that reflects the marketplace for each position;
-  Short Term Incentive (STI) payments based on achievement of operational and financial goals and
-  Long Term Incentive (LTI) equity based remuneration, including share options, which

REMUNERATION POLICY (CONTINUED)

incorporates exercise restrictions based on continuity of employment and the achievement of certain individual and financial performance hurdles.

Note: the use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.



Non-Executive Directors are remunerated by way of fees and do not participate in profit or incentive schemes. Further details of remuneration of Directors and Executive Management can be found commencing on page 30 of this Annual Report.

INTEGRITY OF FINANCIAL REPORTING AND RISK MANAGEMENT

The Board has ultimate responsibility for the integrity of the Company's financial reporting. The Directors have implemented internal control processes for identifying, evaluating and managing significant financial, operational and compliance risks to the achievement of the Company's objectives. This risk policy is available at the company's website (<http://azurehealthcare.com.au/corporate-governance/risk-management-policy/>) and reviewed annually by the committee.

The Directors have received and considered written representations from the Chief Executive Officer and the Chief Financial Officer of the Company in accordance with section 295A of the Corporations Act.

The Chief Executive Officer and the Chief Financial Officer of the Company have made the following declarations to the Board:

-  That the Company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operating results of the company, and are in accordance with the relevant Accounting Standards; and
-  That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that compliance and control is operating efficiently and effectively in all material respects.

INTEGRITY OF FINANCIAL REPORTING AND RISK MANAGEMENT

The Company's external auditor has been invited to attend the Annual General Meeting and be available to answer questions from the members of the Company about the conduct of the audit and the preparation and content of the Independent Auditor's report.

DIVERSITY POLICY

Azure Healthcare Limited and all its related entities (Azure or the Company) is committed to recruiting, developing and retaining a talented and diverse workforce so as to maximise its corporate goals.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. To the extent practicable, Azure will address the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Second Edition) (ASX Principles).

The board of Directors of Azure is responsible for adopting and monitoring the Company's Diversity Policy (Policy). This policy does not form part of an employee's contract of employment, nor does it give rise to contractual obligations. Every employee and officer of Azure is responsible for supporting and maintaining Azure's corporate culture, including its commitment to diversity in the workplace.

DIVERSITY POLICY (CONTINUED)




Azure promotes gender balance within the workforce. While the Company is successfully overseen by only three directors who provide a skill set which is appropriate for the Company's needs, across the rest of the Company, there is a significant involvement of both female and male employees at each level of operations.

Overall, the object is for the Company to achieve the current national benchmark of women comprising 46%. The classification of Management, Finance and Administration has achieved (65%) so exceeds this benchmark. The operational classification of 'Other' is dominated by male workers such as Technicians and Manufacturing personnel with 73% male participation for the Australian workplace according to the Workplace Gender Equality Agency in its most recent findings. Azure has been able to maintain an 8% female participation rate, even with 29 additional staff being hired during the year. Overall, the current gender balance in Azure has been maintained and is 22% (2015: 24%) as per the table below.




Gender Diversity - Azure Healthcare Limited								
	2016		2016		2015		2015	
	NUMBER OF EMPLOYEES		PERCENTAGE OF EMPLOYEES		NUMBER OF EMPLOYEES		PERCENTAGE OF EMPLOYEES	
	Female	Male	Female	Male	Female	Male	Female	Male
Board	0	3	0%	100%	0	3	0%	100%
Management, Finance, Administration	20	11	65%	35%	26	25	51%	49%
Other	8	87	8%	92%	16	104	13%	87%
Total	28	101	22%	78%	42	132	24%	76%

This Policy does not impose on Azure, its directors, officers, agents or employees any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws that are applicable to the Company and/or its related entities.

PROGRAMS AND INITIATIVES INTRODUCED TO INCREASE DIVERSITY

1. The Board is committed to embracing diversity when determining the composition of the Board, including the nomination, selection and appointment of new directors. Assessment of qualifications, skills, experience and diversity of gender is considered by the Board in determining the composition of the Board, senior management and employees.
2. The Board is committed to creating programs or initiatives to best enhance the development of required skills and experience for leadership roles and Board positions, to achieve improved diversity within the Company.
3. To assist with improving gender diversity within the organization, the Company will develop and introduce programs and initiatives. In the case of gender diversity, such initiatives may include:
 -  Mentoring programs;
 -  Networking opportunities;
 -  Professional development programs that are targeted at helping women and men develop skills and experience for advancement to senior management and Board positions;

DIVERSITY POLICY (CONTINUED)

-  Fostering a corporate culture that embraces and values diversity and uses that diversity to deliver business outcomes;
-  Providing flexible work options and a working environment that helps women and men to balance their work, life and family responsibilities; and
-  Management supporting the promotion of talented women and men into leadership roles.

MONITORING THE MEASURABLE OBJECTIVES

1. The measurable objectives will be developed with the focus of improving and enabling a diverse workforce. The Board is ultimately responsible for establishing the measurable diversity objectives for the Company and ensuring that they will be progressively and successfully achieved.
2. The Chief Executive Officer and Company Secretary will monitor and report on the progress and effectiveness of the diversity program and initiatives, as part of an annual compliance review to the Board.
3. This Policy will be reviewed on an annual basis.
4. The Board may change this Policy by resolution.

This Policy was approved by the Board on 22 October 2012.

COMMUNICATION WITH SHAREHOLDERS AND THE MARKET

The Company's commitment to communicating with its shareholders is embodied in its Continuous Disclosure Policy, which contains policies and procedures designed to ensure accountability at the senior management level for compliance with disclosure obligations. A copy of the Company's Continuous Disclosure Policy is available on the Company's website www.azurehealthcare.com.au or may be obtained upon request from the Company.

In addition to the distribution of the Annual Report, the company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

In order for the investors to gain a greater understanding of the company's business, governance practices, financial performance and future prospects, the company schedules interactions during the year where it engages with institutional and private investors, analysts and the financial media.

Meetings and discussions with analysts must be approved by the Chairman and are generally conducted by the Chief Executive Officer / Chairman. The discussions are restricted to explanations of information already within the market or which deal with non-price sensitive information. These meetings are not held within a four week blackout period in advance of the release of interim or full-year results.





The company encourages shareholders to attend the company's AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to. Written transcripts of the meeting are made available on the company's website.

SHARE REGISTER COMMUNICATIONS

The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Investor Services Pty Limited <http://www.computershare.com/au/Pages/default.aspx>

ETHICS AND CODES OF CONDUCT

The Company has adopted a Code of Conduct that applies to all employees and directors of the Company. The Code of Conduct reflects the commitment of the Company to ethical standards and practices. This Code deals with issues specific to employees and the Directors including, but not limited to, the following:

-  Directors will act with fairness, honesty and integrity in all of their dealings on behalf of the Company.
-  Directors will not discriminate on the grounds of people's race, religion, gender, marital status, or disability.
-  Directors will not make promises or commitments which to their knowledge Azure does not intend, or is unable, to honour.
-  Directors will require that all employees of the Company act in accordance with these principles of fairness, honesty and integrity.

A copy of the Code of Conduct is available on the Company's website www.azurehealthcare.com.au or may be obtained from the Company upon request.

The Company has also implemented a policy on securities trading that binds all of the Company's officers and employees. In addition to ensuring that all officers and employees are aware of the legal restrictions on trading in the Company's securities while in possession of unpublished price-sensitive information, the policy also restricts the times when officers and employees may deal in the Company's securities. A copy of the Policy for Securities Dealing by Directors and Employees is available on the Company's website www.azurehealthcare.com.au or may be obtained from the Company upon request.

The directors present their report, together with the financial statements, on the Consolidated entity ('economic entity', 'Company' or 'Group') consisting of Azure Healthcare Limited and the entities it controlled for the year ended 30 June 2016.

DIRECTORS

The names of the directors in office at the end of the year were:

Mr. Clayton Astles **Chief Executive Officer** **(Appointed 31 July 2015)**

Mr Astles has worked with Azure for the last 7 years in various roles including President of Azure Healthcare's operating subsidiary Austco Marketing & Services (USA) Ltd. He has helped build the group's reputation as a leader in the nurse call and clinical software solutions market in the United States and has been instrumental in the establishment of a Software Development Centre and manufacturing facility in Dallas, which will be responsible for developing the Company's next generation products. Mr Astles, who has over 12 years leadership experience in the healthcare technology industry and holds a diploma in Electronics Engineering, joined Austco in April 2008 as Sales Manager and held the positions of Vice-President and President of Austco's Canadian and US businesses. Since his arrival he has led a successful direct sales and channel sales organisation across North America.

Current equity holding:

Nil Ordinary Shares

5,000,000 options (issued 3 August 2015)

Mr. Graeme Billings **Non-Executive Chairman** **(Appointed 21 October 2015)**

Mr Graeme Billings has been a Chartered Accountant since 1980 and retired from PriceWaterhouseCoopers in 2011 after 34 years. He is a former head of the Melbourne assurance practice as well as heading the firm's Australian and global industrial products business. He has had extensive experience providing assurance, transaction and consulting services to multinational and national clients across a variety of industries. Graeme is Chairman and Non-Executive Director of Korvest Limited, Non-Executive Director of Clover Corporation Limited and Non-Executive Director of GUD Holdings Limited. Graeme also serves as the Chairman of the audit and compliance committee of both of GUD Holdings Limited and Clover Corporation Limited.

Current equity holding:

250,000 Ordinary Shares

Nil options

Mr. Brett Burns **Non-Executive Director** **(Appointed 21 October 2015)**

Brett Burns is a founding Partner of law firm CBW Partners having worked in a variety of roles within ASX Top 50 companies, government, national and international law firms. During Brett's 20 year career he has served in such capacities as Company Secretary and General Counsel for the ASX listed Transurban Group (ASX:TCL), in private practice with international law firm Baker & McKenzie and in regulatory roles with the Australian Securities and Investments Commission. Brett specialises in mergers, acquisitions, capital markets and governance for ASX Listed companies. Brett also serves as a non-executive director of a privately held consumer finance company with approximately \$70 million loan book under management as well as a director of other privately held vehicles.

Current equity holding:

29,652 Ordinary Shares

DIRECTORS (CONTINUED)

Nil options

The names of the directors in office during the financial year since resigned are:

Mr. Robert Grey **Executive Director** **(Resigned 21 October 2015)**

Mr. Grey founded Austco Communication Systems ("Austco") in 1986, and was responsible for increasing revenues from \$5 million in 1989 to \$19 million prior to the Company's acquisition by Azure Healthcare Limited, then TSV Holdings Limited, on 1 January 2007. Mr. Grey retains a significant shareholding in Azure Healthcare Limited.

Throughout his career, Mr. Grey has been involved in electronic communications in Australia and internationally, first as an engineer in telephony system development and installations, and later as the spearhead of Austco's expansion into new markets and territories.

Mr. Grey holds a Bachelor of Engineering in Communications from Curtin University, WA and a Diploma of Electronic Engineering from Mount Lawley College.

Equity holding as at date of resignation:

34,263,586 Ordinary Shares

Nil options

Mr. William Brooks (i) **Non-Executive Director** **(Resigned 21 October 2015)**

Mr. Brooks has been involved in the exploration and mining industry for over 30 years and has extensive industry knowledge and contacts in the mineral industry. Mr. Brooks and his private companies have been involved in many exploration joint ventures and project agreements with major and junior companies in the Western Australian Goldfields. Mr. Brooks also has substantial interests in the hospitality industry, developing and owning two successful motel businesses.

Mr. Brooks was a Non-Executive Director of Reward Minerals Ltd from 26 March 2003 to 31 May 2013. He has not been a director of any other listed company in the past three years.

Equity holding as at date of resignation:

11,091,491 Ordinary Shares

Nil Options

Mr. Greg Lewis (ii) **Non-Executive Chairman** **(Appointed 8 July 2015, Resigned 12 October 2015)**
Non-Executive Director **(1 June 2014 – 7 July 2015)**

Mr Lewis has over 20 years professional services experience including being a partner of KPMG and a principal of Ernst Young. He has strong corporate advisory experience in advising various corporate and private groups on a range of matters. He has a bachelor of economics degree, a master's degree in taxation, is a chartered accountant, and a chartered tax advisor.

Equity holding as at date of resignation:

18,000 Ordinary Shares

Nil Options

DIRECTORS (CONTINUED)

- (i) Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Management Committee.
- (ii) Chairman of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee.

COMPANY SECRETARY

The following person held the position of Company Secretary during and at the end of the financial year:

Mr. Jason D'Arcy**Company Secretary**

Mr. D'Arcy is experienced in mergers and acquisitions, public company disclosure requirements including statutory reporting, ASX disclosures and in delivering quality management information within an organisation. Mr. D'Arcy is a CPA, with B.Ec and B.Bus (Accounting) qualifications.

Mr. D'Arcy has extensive ASX listed company financial experience in his former roles as the Chief Financial Officer and Company Secretary of Baxter Group Limited (ASX:BAX) and Cellectis Limited (ASX:CST). Mr. D'Arcy has also worked in senior finance roles for NTT Communications Ltd, AV Jennings Limited (ASX:AVJ), Gordon Industries Ltd and Kawasaki Ltd.

Current equity holding:

Nil Ordinary Shares

2,000,000 options (issued 3 August 2015)

DIVIDEND PAID OR RECOMMENDED

No dividends were paid or declared for the year ended 30 June 2016 (2015: Nil)

CORPORATE INFORMATION**Corporate Structure**

Azure Healthcare Limited is a for-profit company limited by shares that is incorporated and domiciled in Australia. It has several subsidiaries as indicated in Note 15.

Principal Place of Business and Registered Office

Level 18, 60 Albert Road, South Melbourne, VIC 3205, Australia.

Principal Activities

The principal activities of the economic entity during the financial year were the manufacture and supply of healthcare and electronic communications systems.

Employees

The Company had 129 employees as at 30 June 2016 (2015: 174 employees).

REVIEW OF OPERATIONS AND OPERATING RESULTS

The consolidated loss of the economic entity after providing for income tax amounted to \$3.651 million (2015: \$1.093 million profit). A Review of Operations is contained within the Chief Executive Offer's Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity during the financial year under review not otherwise disclosed in this Annual Report.

EVENTS AFTER THE REPORTING DATE

There were no material events subsequent to the reporting date.

LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The likely developments in the economic entity's operations, to the extent that such matters can be commented upon, are covered in the Chairman's Report contained elsewhere in this Annual Report.

ENVIRONMENTAL REGULATION

The economic entity's operations are not significantly impacted by any environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each key management person of Azure Healthcare Limited being directors and senior executives who influence or exercise strategic control of the economic entity. During the year, the following persons were key management personnel: Graeme Billings (Non-Executive Chairman – appointed 21 October 2015), Brett Burns (Non-Executive Director – appointed 21 October 2015), Robert Grey (Chief Executive Officer & Director – resigned 21 October 2015), William Brooks (Non Executive Director – resigned 21 October 2015), Greg Lewis (Non Executive Chairman – resigned 12 October 2015), Jason D'Arcy (Chief Financial Officer & Company Secretary), Michael Read (Global Operations Manager – appointed 1 October 2015) and Clayton Astles (Chief Executive Officer & Director – appointed 31 July 2015).

REMUNERATION REPORT 2015

In light of the shareholders voting against the Remuneration report at the last AGM, the Directors froze pay increases for all Board members. In addition to this, the Chief Executive Officer and Chief Financial Officer achieved all hurdles of the Company's strategic plan and achieved all non financial hurdles of their respective Key Performance Indicators for the last financial year. Some of these non-financial hurdles included new product development, the full-scale rollout of Tacera Pulse, customer engagement and satisfaction, work place safety, regulatory compliance and quality assurance. Despite having met these non-financial Key Performance Indicators the Chief Executive Officer and Chief Financial Officer voluntarily relinquished any payment of bonuses as they believe it was not in the best interest of shareholders given the financial performance of the Company whilst undertaking its restructuring program.

REMUNERATION POLICY

The remuneration policy of Azure Healthcare Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results.

The Board of Azure Healthcare Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The Board's policies for determining the nature and amount of remuneration for Board members and senior executives of the economic entity are detailed below.

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Nomination and Remuneration Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, and are entitled to options and performance incentives if performance

REMUNERATION POLICY (CONTINUED)

targets are met and incentives are approved by the Directors. The Nomination and Remuneration Committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominately on the forecast growth of the economic entity's profits and shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The Executive Director and executives not on consulting agreements receive a superannuation guarantee contribution required by the Australian government, which was 9.5% for the 2016 financial year, and do not receive any other retirement benefits. Some individuals however have chosen to sacrifice part of their salary to increase payments towards superannuation.






All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Nomination and Remuneration Committee (excluding those being assessed) determine payments to the Non-Executive Directors and review their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align the directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee share plan.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION


Executive Compensation

The objective of the economic entity's executive remuneration and reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:



-  Competitiveness and reasonableness
-  Acceptability to shareholders
-  Performance linkage / alignment of executive compensation
-  Transparency
-  Capital management

The economic entity has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.





The remuneration and reward strategy of the Company seeks to align executives and shareholders' interests which:

-  Has economic profit as a core component of plan design;

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (CONTINUED)

-  Focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share Price, and delivering a constant return on assets as well as focusing the executive on key non-financial value drivers; and
-  Attracts and retains high caliber executives.

The remuneration and reward strategy of the Company seeks to align program participants' interests which:

-  Rewards capability and experience;
-  Reflects competitive reward for contribution to growth in shareholder wealth;
-  Provides a clear structure for earning rewards; and
-  Provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the economic entity, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands, which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The maximum fees payable to Non-Executive Directors as agreed to by the company's members at a previous Annual General Meeting are \$250,000.

Company Performance, Shareholder Wealth and Key Management Personnel Remuneration

The following table shows the gross revenue, profits and dividends for the last five years as well as the share price at the end of each year.

	2016*	2015*	2014*	2013*	2012*
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and other income	32,028	34,962	31,319	22,504	18,224
Profit/(Loss) for the year	(3,651)	1,093	3,865	1,040	744
Overall (Loss)/ Earnings Per Share (cents)	(1.92)	0.58	2.05	0.55	0.47
Share price at year end	\$0.05	\$0.140	\$0.330	\$0.068	\$0.029
Dividends paid	0.00	0.00	0.00	0.00	0.00

*Revenues from continuing operations only

Performance payments, in the form of cash bonuses or share based payments, to Key Management Personnel are disclosed in the report and table below and are paid in accordance with employment agreements and on achievement of set milestones which may be based on financial and non-financial outcomes. Payment of cash bonuses and options or shares are assessed on an annual basis by the board of directors and payment of incentive bonuses is at the discretion of the board of directors.

DIRECTORS' FEES

The current base remuneration of Directors was last reviewed with effect from 21 October 2015. Additional fees may also be payable to Directors for their membership on committees.

DETAILS OF KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration for each director and each of the key management personnel of the economic entity for the year was as follows:

	<u>Short Term Employee Benefits</u>			<u>Share Based Payments</u>	<u>Post Employment Expenses</u>	<u>Performance Related</u>	
	Salaries, Fees and Commissions	Cash Bonus	Other Benefit	Equity-settled Options	Superannuation Contributions	Total	%
2016							
Directors:							
Clayton Astles (appointed 31 July 2015)	511,766	-	32,843	28,367	-	572,976	-
Graeme Billings (appointed 21 October 2015)	41,644	-	-	-	-	41,644	-
Brett Burns (appointed 21 October 2015)	34,703	-	-	-	-	34,703	-
Robert Grey (resigned 21 October 2015)	52,719	-	-	-	14,288	67,007	-
William Brooks (resigned 21 October 2015)	6,667	-	-	-	-	6,667	-
Greg Lewis (Resigned 12 October 2015)	29,068	-	-	-	-	29,068	-
Other key management personnel:							
Jason D'Arcy	374,773	-	-	11,346	-	386,119	-
Michael Read (Appointed 1 October 2015)	133,150	44,099	17,037	-	5,697	199,983	22%
	1,184,490	44,099	49,880	39,713	19,985	1,338,167	

The Directors froze all pay increases for all Board members for the last 12 months. In addition to this, despite the Chief Executive Officer and Chief Financial Officer achieving all hurdles of its strategic plan and having achieved all non financial hurdles of their respective Key Performance Indicators for the last financial year, the Chief Executive Officer and Chief Financial Officer voluntarily relinquished any payment of bonuses as they believe it was not in the best interest of shareholders given the financial performance of the Company whilst undertaking its restructuring program.

DETAILS OF KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

	<u>Short Term Employee Benefits</u>			<u>Share Based Payments</u>	<u>Post Employment Expenses</u>	<u>Performance Related</u>	
	<u>Salaries, Fees and Commissions</u>	<u>Cash Bonus</u>	<u>Other Benefit</u>	<u>Equity-settled Options</u>	<u>Superannuation Contributions</u>	<u>Total</u>	<u>%</u>
2015							
Executive director:							
Robert Grey	160,000	51,865	-	-	16,630	228,495	23%
Non – executive director:							
William Brooks	20,000	-	-	-	-	20,000	-
Non – executive chairman:							
Greg Lewis	20,004	-	-	-	-	20,004	-
Other key management personnel:							
Jason D'Arcy	244,200	-	-	-	-	244,200	-
Peter Kamarinos	135,000	17,500	20,000	-	15,600	188,100	9%
	579,204	69,365	20,000	-	32,230	700,799	

1. Mr Grey received a cash bonus of \$51,865 (inclusive of superannuation) in September 2015 in relation to the 2015 financial year. The bonus was granted on the 20 August 2015.
2. Mr Astles was appointed Director and Chief Executive Officer on 31 July 2015. As Mr Astles was not considered a Key Management Personnel prior to this date his remuneration was not included in the above.
3. Mr Kamarinos ceased to be key management personnel as at 1 July 2015.

The proportion of the cash bonus paid/payable or forfeited is as follows:

	<u>Cash bonus paid/payable</u>		<u>Cash bonus forfeited</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Clayton Astles	Nil	-	100%	-
Robert Grey	Nil	100%	100%	-
Michael Read	100%	-	Nil	-
Graeme Billings	-	-	-	-
Brett Burns	-	-	-	-
Jason D'Arcy	Nil	Nil	100%	100%
Peter Kamarinos	Nil	87.5%	Nil	12.5%

Note: Non-Executive Directors are not entitled to bonus payments

Voting and comments made at the Company's 2016 Annual General Meeting ("AGM")

The Company received 47.03% of 'for' votes in relation to its remuneration report for the year ended 30 June 2015. In light of the shareholders voting against the Remuneration report at the last AGM, the Directors froze all pay increases for all Board members for the last 12 months. In addition to this, despite the Chief Executive Officer and Chief Financial Officer achieving all hurdles of its strategic plan and having achieved all non financial hurdles of their respective Key Performance Indicators for the last financial year, the Chief Executive Officer and Chief Financial Officer voluntarily relinquished any payment of bonuses as they believe it was not in the best interest of shareholders given the financial performance of the Company whilst undertaking its restructuring program.

Options

8,200,000 options were granted as part of remuneration in the financial year ended 30 June 2016 (2015: Nil).

SHARE BASED COMPENSATION

The services and performance criteria set to determine compensation are discussed under remuneration policy commencing at page 27. All options were granted by Azure Healthcare Limited over ordinary shares for Nil consideration. There were 8,200,000 options granted as part of remuneration in the financial year ended 30 June 2016 (2015: Nil).

All employee options are unlisted, exercisable within 5 years of issue, have an exercise price consistent with the 30 day volume weighted average price at date of issue, exercisable after 3 years from date of issue. All options are non-transferable.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

No options were exercised during the year ended 30 June 2016.

PERFORMANCE INCOME AS A PROPORTION OF TOTAL REMUNERATION

As part of each Executive Director and executives remuneration package there is a performance-based component, based on the achieving of key performance indicators (KPI's). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration and Nomination Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPI's are set for the following year.

In determining whether or not a KPI has been achieved, Azure Healthcare Limited bases the assessment on audited figures.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

	Economic Entity	
	2016 \$'000	2015 \$'000
Occupancy Fees for the lease of the premises located at 40 O'Malley St, Osborne Park, WA were paid to Mr Robert Grey (Director) whilst a director.		
Lease term: 01 January 2007 to 31 December 2016	98	289
Occupancy Fees for the lease of the residence at 2715 Gallant Crt, South Lake, TX US were paid to Mr Robert Grey (Director).		
Lease term: 28 April 2014 to 28 August 2014		6
Legal fees paid to CBW Partners, a firm controlled by Mr Brett Burns, for legal services rendered	5	-

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The employment conditions of the key executives are formalised in contracts of employment or service agreements. All Directors and Executives are employees of the Azure Healthcare Limited Group.

Remuneration and other terms of employment for the Chief Executive Officer and Chief Financial Officer and Company Secretary and other specified executives are formalised in individual service agreements. The major provisions relating to remuneration are set out below:

Chief Executive Officer - Mr Clayton Astles (appointed 31 July 2015)

- ✎ A written employment agreement is in place, effective from 1 August 2015, with either party required to give one year's notice, unless otherwise terminated;
- ✎ Base salary, inclusive of superannuation, to the value of \$380,000 USD per annum and Annual car allowance to the value of \$11,000 USD per annum;
- ✎ Annual performance bonus of up to a maximum of \$190,000 USD based on a balance scorecard;
- ✎ Eligibility for company long term incentive plan; and
- ✎ 4 year term.

Non-Executive Chairman - Mr Graeme Billings (appointed 21 October 2015)

- ✎ A written service agreement is in place, effective from 21 October 2015, with either party required to give one month's notice, unless otherwise terminated;
- ✎ Base fee to the value of \$60,000 per annum;
- ✎ No fixed term

Non-Executive Director - Mr Brett Burns (appointed 21 October 2015)

- ✎ A written service agreement is in place, effective from 21 October 2015, with either party required to give one month's notice, unless otherwise terminated;
- ✎ Base fee to the value of \$50,000 per annum;
- ✎ No fixed term

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES (CONTINUED)

Chief Financial Officer and Company Secretary - Mr Jason D'Arcy

- ✿ A written consulting agreement is in place, effective from 1 August 2015, with either party required to give a minimum of one year's notice, unless otherwise terminated;
- ✿ Base fee, to the value of \$280,000 USD per annum;
- ✿ Annual performance bonus of up to a maximum of \$140,000 USD based on a balance scorecard;
- ✿ Mr D'Arcy is responsible for his own meal and accommodation costs whilst traveling in both Australia and the USA;
- ✿ Eligibility for company long term incentive plan; and
- ✿ 4 year term.

Global Operations Manager - Mr Michael Read (appointed 1 October 2015)

- ✿ A written employment agreement in place, effective from 1 October 2015, with either party required to give 1 month notice, unless otherwise terminated;
- ✿ Base salary, exclusive of superannuation, to the value of NZD\$150,000 per annum;
- ✿ The Company provides a fully maintained vehicle
- ✿ Annual performance bonus of up to 25 percent of base salary subject to personal performance and company profitability status;
- ✿ Additional annual performance bonus of up to 5 percent of amount exceeding New Zealand business unit budgeted performance; and
- ✿ No fixed term.

Options and Rights Holdings

Number of options held by Key Management Personnel:

2016	Balance 1 July or appointment date	Granted as Compensation	Expired During Year	Total Vested and Exercised	Balance 30 June or resignation date	Total Unvested and Unexercisable
Graeme Billings	-	-	-	-	-	-
Brett Burns	-	-	-	-	-	-
Greg Lewis	-	-	-	-	-	-
Robert Grey	-	-	-	-	-	-
William Brooks	-	-	-	-	-	-
Clayton Astles	-	5,000,000	-	-	5,000,000	5,000,000
Michael Read	-	-	-	-	-	-
Jason D'Arcy	-	2,000,000	-	-	2,000,000	2,000,000
	-	7,000,000	-	-	7,000,000	7,000,000

SHAREHOLDINGS

Number of shares held by Key Management Personnel:

	Balance 1 July or appointment date	Received as Compensation	Net Change Other *	Balance 30 June or resignation date
2016				
Graeme Billings (appointed 21 October 2015)	-	-	250,000	250,000
Brett Burns (appointed 21 October 2015)	-	-	29,652	29,652
Greg Lewis (resigned 12 October 2015)	18,000	-	-	18,000
Robert Grey (resigned 21 October 2015)	34,263,586	-	-	34,263,586
William Brooks (resigned 21 October 2015)	11,091,491	-	-	11,091,491
Clayton Astles (appointed 31 July 2015)	-	-	-	-
Michael Read (appointed 1 October 2015)	15,000	-	-	15,000
Jason D'Arcy	-	-	-	-
	45,388,077	-	279,652	45,667,729

** Net change other includes shares acquired or disposed during the year.*

End of Remuneration Report (Audited).

SHARES UNDER OPTIONS

Unissued ordinary shares of Azure Healthcare Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
3 August 2015	30 July 2020	\$0.182	8,200,000

Options issued pursuant to the Company's employee option plan at the 30-day volume weighted average price prior to issuance plus 20 percent. The exercise of options will not be permitted until 36 months after grant date and will be subject to Azure Healthcare Ltd achieving either a compound annual improvement in operating profit result after tax of 50 percent in each full year prior to exercise or a total improvement of 338 percent in the 36 month period from grant date. The base operating profit being the reported NPAT for the year ended 30 June 2015. The NPAT calculation is based on audited results with current accounting policies applying for the calculation. Options lapse on resignation or termination.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No ordinary shares of Azure Healthcare Limited were issued during the year ended 30 June 2016 and up to the date of this report on the exercise of options granted.

MEETING OF DIRECTORS

During the financial year, 21 meetings of directors, 5 Audit and Risk Management Committee meetings and 3 Nomination and Remuneration Committee meeting were held.

Attendances by each director during the year were as follows:

	Director Meetings		Audit and Risk Management Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Graeme Billings	14	14	3	3	1	1
Brett Burns	14	14	3	3	1	1
Clayton Astles	19	19	-	-	-	-
Robert Grey	8	8	-	-	-	-
William Brooks	8	8	2	1	2	2
Greg Lewis	8	8	2	2	2	2

A = Number of meetings eligible to attend

B = Number of meetings attended

INSURANCE AND INDEMNIFYING OFFICERS, DIRECTORS OR AUDITORS

The company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium is \$30,338 (2015: \$28,851). The company has indemnified the directors and executives of the company for costs incurred in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. No indemnifications have been provided by the company to the auditors.

PROCEEDINGS ON BEHALF OF COMPANY

In September 2013 Azure Healthcare Limited was served with legal proceedings originating from Ontario, Canada by Cintel Inc and Wireless Resident Nurse Alert Technology Inc in relation to an alleged breach of contract by Azure's Canadian subsidiary, Austco Marketing and Service (Canada) Limited. The company is presently seeking legal advice regarding this matter. The Directors believe that there is no merit in the claim as the claim against Azure Healthcare Ltd is well outside its jurisdiction. Further the claim against Azure's wholly owned subsidiary is also without merit as the reseller agreement was terminated in accordance with that agreement.

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or to 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 part of those proceedings.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below do not compromise the external auditor's independence for the following reasons:

NON-AUDIT SERVICES (CONTINUED)

- All non-audit services are reviewed and approved by the Audit and Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to the auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2016:

Other taxation compliance services totalling \$3,037 (2015: \$3,230)

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration which forms part of the Directors report for the year ended 30 June, 2016 has been received and can be found on page 38.

ROUNDING OF AMOUNTS

The company is an entity to which ASIC Legislative Instrument 2016/191 applies and, accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2)(a) of the Corporations Act 2001.



Clayton Astles

Chief Executive Officer

Dated this 26th day of September 2016, Melbourne



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Australia

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

As lead auditor for the review of Azure Healthcare Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'S. Scalzo', is written over a light blue rectangular background.

Simon Scalzo
Partner

BDO East Coast Partnership

Melbourne, 26 September 2016

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

	Notes	Economic Entity	
		2016 \$'000	2015 \$'000
Revenues from continuing operations	2	31,570	33,497
Other income	2	458	1,465
Cost of sales		(16,374)	(16,664)
Gross Profit		15,654	18,298
Employee Benefits Expense	3	(12,563)	(11,096)
Motor Vehicle Expenses		(347)	(326)
Occupancy Expenses		(935)	(901)
Depreciation and Amortisation Expenses	3	(639)	(494)
Professional Fees		(1,001)	(887)
Finance Costs	3	(87)	(80)
Travel Expenses		(821)	(1,031)
Insurance		(270)	(334)
Staff Recruitment Expense		(344)	(279)
Subscriptions		(51)	(121)
Warranty Allowance		(656)	(332)
Other Expenses		(1,815)	(2,302)
(Loss)/Profit Before Income Tax Expense from Continuing operations		(3,875)	120
Income tax Benefit	4	224	962
(Loss)/Profit after income tax expense from continuing operations		(3,651)	1,082
Profit after income tax expense from discontinued operations		-	11
(Loss)/Profit for the Year Attributable to Members of Azure Healthcare Limited		(3,651)	1,093
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to Profit or Loss</i>			
Exchange difference arising on translation of foreign operations		235	5
Total comprehensive income from continuing operations		(3,416)	1,087
Total comprehensive income from discontinuing operations		-	11
Total Comprehensive Income for the Year Attributable to Members of Azure Healthcare Limited		(3,416)	1,098
Continuing Operations		Cents	Cents
Basic (loss)/earnings per share	7	(1.92)	0.57
Diluted (loss)/earnings per share	7	(1.92)	0.57
Discontinued Operations		Cents	Cents
Basic earnings per share	7	-	0.01
Diluted earnings per share	7	-	0.01
Overall earnings per share		Cents	Cents
Basic (loss)/earnings per share	7	(1.92)	0.58
Diluted (loss)/earnings per share	7	(1.92)	0.58

* The accompanying notes form part of these financial statements

	Notes	Economic Entity	
		2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	9	1,685	3,157
Trade and other receivables	10	5,803	5,686
Inventories	11	7,919	6,907
Other assets	12	718	1,252
Total Current Assets		16,125	17,002
Non-Current Assets			
Property, plant and equipment	13	774	1,030
Deferred tax assets	4(c)	2,084	1,730
Intangible assets	14	3,000	3,207
Total Non-Current Assets		5,858	5,967
Total Assets		21,983	22,969
Current Liabilities			
Trade and other payables	16	6,366	4,632
Short term borrowings	17	2,024	1,331
Current tax liabilities	4(b)	85	131
Provisions	18	1,258	1,226
Total Current Liabilities		9,733	7,320
Long term borrowings	17	8	13
Provisions	18	72	99
Total Non-Current Liabilities		80	112
Total Liabilities		9,813	7,432
Net Assets		12,170	15,537
Equity			
Issued capital	19	35,123	35,123
Option reserve	19	48	-
Accumulated losses		(22,575)	(18,925)
Foreign exchange reserve		(426)	(661)
Total Equity		12,170	15,537

* The accompanying notes form part of these financial statements

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Option Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	35,042	(19,733)	(951)	16	14,374
Profit after income tax expense for the year	-	1,093	-	-	1,093
Other comprehensive income for the year, net of tax	-	-	5	-	5
Total comprehensive income for the year	65	-	(126)	-	65
Transactions with owners in their capacity as owners:					
Transfer to/from reserve	16	(285)	285	(16)	-
Balance at 30 June 2015	35,123	(18,925)	(661)	-	15,537
Loss after income tax expense for the year	-	(3,651)	-	-	(3,651)
Other comprehensive income for the year, net of tax	-	-	235	-	235
Total comprehensive income for the year	-	(3,651)	235	-	3,416
Transactions with equity holders in their capacity as equity holders:					
Share based payments	-	-	-	48	48
Balance at 30 June 2016	35,123	(22,575)	(426)	48	12,170

* The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2016

AZURE Healthcare Limited

	Notes	Economic Entity	
		2016 \$'000	2015 \$'000
Cash Flows From Operating Activities			
Receipts from Customers (inclusive of GST)		31,906	38,128
Payments to Suppliers and Employees (inclusive of GST)		(33,897)	(36,190)
Interest Received		5	12
Finance Costs		(87)	(80)
Income Tax Paid		(139)	-
		(2,212)	1,870
Net cash (used)/provided by continuing operations		(2,212)	1,870
Net cash Used in discontinued operations		-	-
Net Cash (Used)/Provided by Operating Activities	22	(2,212)	1,870
Cash Flows From Investing Activities			
Payments for Plant and Equipment		(183)	(381)
Proceeds from liquidators of TSV Australia Pty Ltd		-	11
		(183)	(370)
Net cash Used in continuing operations		(183)	(381)
Net cash provided by discontinued operations		-	11
Net Cash Used in Investing Activities		(183)	(370)
Cash Flows From Financing Activities			
Proceeds from Issue of Shares		-	65
Proceeds from / (repayment of) borrowings		694	21
Payment of operating leases and hire purchase liabilities		(6)	(6)
		640	80
Net cash Provided by / (used in) continuing operations		688	80
Net cash Provided by / (used in) discontinued operations		-	-
Net Cash Provided by / (used in) Financing Activities		688	80
Net Increase / (Decrease) in Cash and Cash Equivalents		(1,707)	1,580
Cash and Cash Equivalents at Beginning of the Year		3,157	1,609
Effects of exchange rate changes on cash		235	(32)
Cash and Cash Equivalents at End of the Year	9	1,685	3,157

* The accompanying notes form part of these financial statements

GENERAL INFORMATION

The financial report covers the economic entity of Azure Healthcare Limited and controlled entities. Azure Healthcare Limited is a listed public company, incorporated and domiciled in Australia.

Azure Healthcare Limited's registered office and principal place of business are as follows:

Level 18
60 Albert Road
South Melbourne Victoria 3205
Australia

The financial report was authorised for issue by the directors on 26 September 2016. The Company has the power to amend and reissue the financial report.

Separate financial statements for Azure Healthcare Limited as an individual entity are no longer presented as a consequence of a change in the Corporations Act 2001, however, limited financial information for Azure Healthcare Limited as an individual entity is included in Note 28.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for for-profit oriented entities.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards (IFRS).

New, revised or amending Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the economic entity.

Going Concern

The financial statements have been prepared on a going concern basis. The financial statements have been prepared in accordance with generally accepted accounting standards, which are based on the Company continuing as a going concern. The Directors believe that the consolidated entity has sufficient cash flows to meet its commitments over the next 12 months from the date of signing the 30 June 2016 financial report.

Basis of Preparation and Historical Cost Convention

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars, unless otherwise noted.

Basis of Preparation and Historical Cost Convention (continued)

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

(a) Critical accounting estimates and judgements

In the application of Australian Accounting Standards management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Judgments made in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed where applicable in the relevant notes to the financial statements.

INVESTMENT IN SUBSIDIARIES, GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS

The parent entity tests annually whether investments in subsidiaries, goodwill on consolidation and intangible assets have suffered any impairment in accordance with the accounting policy stated in Note 1(o). During the year there has been no impairment of investment in subsidiaries by the parent entity or an impairment of goodwill on consolidation and or intangible assets.

ALLOWANCE FOR DOUBTFUL DEBTS

The Company assesses impairment regularly. The allowance for doubtful debts represents management's estimate of the economic entity's doubtful debts as at 30 June 2016 based on age of debt, past experience, current information at hand and management's assessment of that information and subsequent collectability. At 30 June 2016, the allowances for doubtful debts was \$195,000 (2015: \$545,000).

SHARE BASED PAYMENTS

Share based payments are accounted for at fair valued using the Black-Scholes model. See Note 23 for further discussion.

INCOME TAX

The economic entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The economic entity recognises liabilities for anticipated tax based on the economic entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

WRITE DOWN OF INVENTORIES

The write down of inventories requires a degree of estimation and judgement. The level of write down is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory net realisable value. A further write down of \$0.6 million has been made for inventory items which have been identified as products which the Company will discontinue in the near future as a part of a new rationalisation of existing products. This rationalisation of product inventories has been identified as a part

(a) Critical accounting estimates and judgements (continued)

of the transition to USA based manufacturing where a smaller number of products will be manufactured but in greater volume for greater efficiencies.

ESTIMATION OF USEFUL LIVES OF ASSETS

The economic entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Azure Healthcare Limited (company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Azure Healthcare Limited and its subsidiaries together are referred to in these financial statements as the 'economic entity'.

Subsidiaries are all those entities over which the economic entity has control. The economic entity controls an entity when the economic entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the economic entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the economic entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the economic entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the economic entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The economic entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

(c) Business combinations (continued)

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value adjustments in the value of pre-existing equity holdings are taken to profit or loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable.

Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

(d) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

CURRENT TAX

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

DEFERRED TAX

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax assets and liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

(d) Income Tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.



CURRENT AND DEFERRED TAX FOR THE PERIOD

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly to equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or discount on acquisition.

TAX CONSOLIDATION REGIME

Azure Healthcare Limited and its wholly-owned Australian subsidiaries (as indicated below), have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered into tax funding and sharing agreements whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Azure Healthcare Limited has formed a tax consolidated group with the following subsidiaries:

-  Austco Communication Systems Pty Ltd; and
-  Sedco Communications Pty Ltd.

The overseas entities are not part of the Azure Healthcare Limited tax consolidated group as they have been incorporated overseas, and are not Australian resident taxpayers.

(e) Financial Assets and Liabilities

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost or recoverable amount in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'.

(e) Financial Assets and Liabilities (continued)

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Income or expense is recognised on an effective interest rate basis for financial instruments other than those financial assets or liabilities 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

The economic entity derecognises a financial asset or liability only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset or liability and substantially all the risks and rewards of ownership of the asset or liability to another entity.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

DEPRECIATION

The depreciable amount of all fixed assets including capitalised leased assets are depreciated on a straight line or diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold Improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. On 30 June 2016 the company underwent an assessment of all fixed assets at the Perth, Australia facility and accelerated depreciation for all fixed assets determined to be low value or deemed to have reached the end of their useful economic life.

(g) Property, Plant and Equipment (continued)

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	20.00% - 50.00%
Plant and Equipment	22.50% - 50.00%
Motor Vehicles	18.75% - 22.50%
Furniture and Fittings	7.50% - 30.00%
Office Equipment	7.50% - 50.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. At the current and prior financial year there has been no material change. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss.

(h) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the economic entity, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value or straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they occur.

(i) Intangibles







GOODWILL

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for the business or for an ownership interest in the controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with AASB 136 Impairment of Assets.

RESEARCH AND DEVELOPMENT COSTS

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development expenditure is recognised if, and only if all of the following are demonstrated:

-  The technical feasibility of completing the intangible asset so that it will be available for use or sale;
-  The intention to complete the intangible asset and use or sell it;
-  The ability to use or sell the intangible asset;
-  How the intangible asset will generate probable future economic benefits;
-  The availability of adequate technical, financial and other resources to complete the development and use or sell the intangible asset; and
-  The ability to measure reliably the expenditure attributable to the intangible asset during its

(i) Intangibles (continued)

development.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. The life of an average project is estimated between 4 and 9 years.

An intangible asset arising from computer software acquisition is being amortised on a straight line basis over 4 years.

(j) Foreign Currency Transactions and Balances

FOREIGN CURRENCY

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Azure Healthcare Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

FOREIGN OPERATIONS

On consolidation, the assets and liabilities of the economic entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average monthly exchange rates. Exchange differences arising on translation of foreign operations, are recognised in the foreign exchange reserve in the statement of financial position. These differences are recognised in the statement of profit or loss on disposal of the foreign operation.

(k) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(k) Employee Benefits (continued)

Share-based payments

Share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(l) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments.

(m) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer. Sales revenue relates to the sale of inventory is recognised when substantially all the risks and rewards of ownership have passed to the buyer. When the outcome of a contract to provide installation can be reliably measured, revenue is measured by reference to the percentage of the services provided. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established.

Income from the research and development tax incentive is recognised on an accruals basis.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(o) Impairment of Assets

At each reporting date, the economic entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of an assets fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cashflows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cashflows are grouped together to form a cash-generating unit.

(p) Share Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity settled share-based payments, goods or services received are measured directly at fair value of the goods and services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the market value.

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss and other comprehensive income in the period in which they are incurred.

(r) Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(s) Earnings per share (EPS)

BASIC EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit attributable to the members of Azure Healthcare Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary

(s) Earnings per share (EPS) (continued)

shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Rounding Amounts

The parent entity has applied the relief available to it under ASIC Legislative Investment 2016/191 and accordingly, amounts within this financial report have been rounded off to the nearest \$1,000.

(u) Comparatives

The entity expanded the classification of revenue as reported in the prior corresponding period. The nature of that reclassification included a further breakdown of sales revenue and foreign currency. The amounts of the breakdown can be found in Note 2. The reason for this reclassification is that breakdown provides the reader with further information in relation to both sales and foreign currency movements.

(v) New and Revised Accounting Standards Not Yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the economic entity for the annual reporting period ended 30 June 2016. The economic entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the economic entity, are set out below.

AASB 9 Financial instruments

AASB 9 amends the classification and measurement of financial assets. Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL. All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in other comprehensive income. Classification and measurement of financial liabilities and derecognition requirements for financial assets and liabilities have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model. A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses. A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months.

For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model.

Adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The entity has not yet made an assessment of the impact of these amendments.

AASB 15 Revenue from Contracts with Customers

An entity will recognise 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. This means that revenue will be recognised when control of goods or services is






(u) New and Revised Accounting Standards Not Yet Effective (continued)

transferred, rather than on transfer of risks and rewards as is currently the case under AASB18 Revenue. Adoption of AASB15 is only mandatory for the year ending 30 June 2019. Due to the release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

AASB 16 Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

-  Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 Months of tenure and leases relating to low-value assets);
-  Depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and Unwinding of the liability in principal and interest components;
-  Variable lease payments that depend on an index or a rate are included in the initial measurement of the Lease liability using the index or rate at the commencement date;
-  By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
-  Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact

These amendments affect presentation and disclosures only. Therefore on first time adoption of these amendments on 1 July 2016, comparatives will need to be restated in line with presentation and note ordering.

NOTE 2: REVENUE

	Economic Entity	
	2016 \$'000	2015 \$'000
Continuing Operations		
Sale of Goods	31,570	33,497
Other income		
- Interest Received	5	12
- Forex Gain	453	1,453
	458	1,465
Total Revenue	32,028	34,962

NOTE 3: PROFIT FOR THE YEAR

	Economic Entity	
	2016 \$'000	2015 \$'000
Continuing Operations		
Finance Costs		
- interest paid	87	80
Depreciation and Amortisation of Non Current Assets		
- plant and equipment	388	268
- amortisation of development costs	251	223
- amortisation of software costs	-	3
- factory equipment (included in cost of sales)	29	26
	668	520
Foreign currency translation gain	453	1,454
Bad and Doubtful Debts		
- trade receivables	195	545
Rental Expenses on Operating Leases		
- minimum lease payments	935	730
Superannuation contributions	403	488
Employee benefits expense	12,160	10,608
Total employee benefits expense	12,563	11,096
Research and development expenditure not capitalised	2,912	5,131
Write off of inventory	532	347

NOTE 4: INCOME TAX EXPENSE

	Economic Entity	
	2016	2015
	\$'000	\$'000
(a) Income Tax Recognised in Profit or Loss		
Current tax expense	98	79
Deferred tax expense relating to the origination and reversal of temporary differences	(173)	(761)
Prior year under / over in relation to 2014 ITR amendment	(149)	(280)
Total Income Tax Benefit	(224)	(962)

The prima facie income tax expense on pre-tax accounting profit for the continuing operations reconciles to the income tax expense in the financial statements as follows:

Profit from continuing operations	(3,875)	120
Income tax expense calculated at 30% (2014: 30%)	(1,163)	36
Non-deductible expenses	19	3
Other	88	-
Effect of different tax rates of subsidiaries operating in other jurisdiction	169	(5)
Unbooked losses	986	-
Utilisation of prior year losses in foreign jurisdiction	-	(281)
Recognition of DTA on R&D offsets (FY14 ITR amendment)	(159)	(276)
Under/Over	9	-
Current Year R&D Tax Incentive Benefit	(173)	(351)
	(224)	(874)
Other	96	(88)
Timing differences not previously recognised	-	-
Total Income Tax (Benefit) / Expense	(224)	(962)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. Overseas jurisdictions have differing corporate tax rates.

No income tax expense was incurred by the discontinued operation for the financial year ended 2016 (2015: \$0).

The Australian tax Consolidated Group has recognised carry forward tax losses from prior years of \$0 (2015: \$0) in the current tax expense calculation. The remaining carry forward losses as at 30 June 2016, are \$0 (2015: \$0) with a carry forward non-refundable Tax Offset of \$1,574,725 (2015: \$1,479,223 - Amended).

NOTE 4: INCOME TAX EXPENSE (CONTINUED)

(b) Current Tax Assets and Liabilities

	Economic Entity	
	2016	2015
Note	\$'000	\$'000
Current tax payable	85	131
	85	131

(c) Deferred Tax Balances

	Economic Entity	
	2016	2015
Note	\$'000	\$'000
Deferred tax assets comprise temporary differences arising from the following:		
Provisions	751	532
Black hole expenditure	14	50
Accruals	97	121
	862	703
Other	89	-
Non-refundable Australian tax offset	1,575	1,451
	2,526	2,154
Deferred tax liabilities comprise temporary differences arising from the following:		
Capitalised development costs	(84)	(151)
Other	(359)	(273)
	(442)	(424)

Movements

	2016	2015
	\$'000	\$'000
Deferred tax asset		
Opening Balance	2,154	1,304
Credited to profit or loss	372	850
	2,526	2,154
Deferred tax liability		
Opening Balance	274	274
Credited to profit or loss	168	150
	442	274

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of Azure Healthcare Limited.

During the year the following persons were key management personal:

Mr Clayton Astles	Chief Executive Officer and Executive Director	(appointed 31 July 2015)
Mr Michael Read	Global Operations Manager	(appointed 1 October 2015)
Mr Graeme Billings	Non Executive Chairman	(appointed 21 October 2015)
Mr Brett Burns	Non Executive Director	(appointed 21 October 2015)
Mr Jason D'Arcy	Chief Financial Officer (CFO) and Company Secretary	
Mr Robert Grey	Executive Director	(resigned 21 October 2015)
Mr William Brooks	Non Executive Director	(resigned 21 October 2015)
Mr Greg Lewis	Non Executive Chairman	resigned 12 October 2015)

	Economic Entity	
	2016	2015
	\$	\$
Summary		
Short-term employee benefits	1,318,182	668,569
Post employment benefits	19,985	32,230
	1,338,167	700,799

NOTE 6: AUDITORS REMUNERATION

	Economic Entity	
	2016	2015
	\$	\$
BDO East Coast Partnership		
Audit of the parent and subsidiary entities:		
- Auditing or reviewing of the financial statements	90,150	87,350
	90,150	87,350
Overseas Offices of BDO International and other unrelated auditors		
BDO International		
- Auditing or reviewing of the financial statements	80,279	75,416
- Taxation compliance services	-	1,894
PKF International		
- Auditing or reviewing of the financial statements	18,329	16,679
- Taxation compliance services	3,037	1,336
	101,645	95,325
Total Remuneration	191,795	182,675

NOTE 7: EARNINGS PER SHARE

	Economic Entity	
	2016 \$'000	2015 \$'000
Continuing operations		
(Loss)/Profit after income tax expense from continuing operations	(3,651)	1,082
Discontinued operations		
Profit after income tax expenses from discontinued operations	-	12
Overall operations		
(Loss)/Profit for the year attributable to members of Azure Healthcare Limited	(3,651)	1,093
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	189,711,544	189,648,141
Effect of dilutive share options	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive earnings per share	189,711,544	189,648,141
Continuing operations		
Basic (loss)/earnings per share (cents per share)	(1.92)	0.57
Diluted earnings per share (cents per share)	(1.92)	0.57
Discontinued operations		
Basic earnings per share (cents per share)	-	0.01
Diluted earnings per share (cents per share)	-	0.01
Overall Earnings per share		
Basic earnings per share (cents per share)	(1.92)	0.58
Diluted earnings per share (cents per share)	(1.92)	0.58

NOTE 8: DIVIDENDS

	Economic Entity	
	2016 \$'000	2015 \$'000
Amount of franking credits available for subsequent reporting periods:		
- franking account balance as at the end of the financial year at 30% (2015: 30%)	2,374	2,374
- franking credit that will arise from the payment of income tax payable as at the end of the financial year	-	-
The amount of franking credits available for future reporting periods:	2,374	2,374
	2,374	2,374

NOTE 9: CASH AND CASH EQUIVALENTS

	Economic Entity	
	2016 \$'000	2015 \$'000
Current		
Cash at bank and in hand	1,685	2,901
Deposits at call	-	256
	1,685	3,157
Reconciliation of Cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial position as follows:		
Cash and cash equivalents	1,685	3,157
	1,685	3,157

NOTE 10: TRADE AND OTHER RECEIVABLES

	Economic Entity	
	2016 \$'000	2015 \$'000
Current		
Trade receivables	5,998	6,231
Less: Allowance for doubtful debts	(195)	(545)
	5,803	5,686

Past due but not impaired

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collections practices.

The ageing analysis of trade receivables is as follows:

	As at 30 June 2016		
Economic Entity	Gross \$'000	Allowance \$'000	Past due but not impaired \$'000
30 days	5,083	61	-
60 days	313	70	313
90 days+	384	64	384
Retentions	218	-	-
Closing Balance	5,998	195	697

	As at 30 June 2015		
Economic Entity	Gross \$'000	Allowance \$'000	Past due but not impaired \$'000
30 days	4,029	-	-
60 days	712	-	-
90 days+	478	364	114
Retentions	1,012	181	831
Closing Balance	6,231	545	945

Allowance for Doubtful Debt Provisions

	Economic Entity	
	2016 \$'000	2015 \$'000
Opening balance	545	181
Additional provision	11	364
Amount written off	(361)	-
Closing Balance	195	545

Provision for Doubtful Debt increased during the 2015 period in part due to a provision for non-payment of \$0.31 million on a non-core Cell-Guard specific project.

NOTE 11: INVENTORIES

	Economic Entity	
	2016 \$'000	2015 \$'000
Current		
Finished goods on hand - at cost	7,331	6,850
Work in progress	588	57
	7,919	6,907

An inventory write down of \$0.6 million has been made for inventory items which have been identified as products which the Company will discontinue in the near future as a part of a new rationalisation of existing products. This rationalisation of product inventories has been identified as a part of the transition to USA based manufacturing where a smaller number of products will be manufactured but in greater volume for greater efficiencies.

NOTE 12: OTHER ASSETS

	Economic Entity	
	2016 \$'000	2015 \$'000
Current		
Prepayments	245	825
Deposits paid	473	427
	718	1,252

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Economic Entity	
	2016 \$'000	2015 \$'000
Leasehold Improvements		
Leasehold improvement- at cost	235	194
Less accumulated amortisation	(184)	(159)
	51	35
Plant and Equipment		
Plant and Equipment- at cost	884	736
Less accumulated amortisation	(724)	(535)
	160	201
Motor Vehicles		
Motor Vehicles - at cost	259	627
Less accumulated amortisation	(175)	(471)
	84	156
Furniture and Fittings		
Furniture and Fittings- at cost	269	182
Less accumulated amortisation	(188)	(105)
	81	77
Office Equipment		
Office Equipment- at cost	1,313	1,468
Less accumulated amortisation	(915)	(907)
	398	561
Total Property, Plant and Equipment	774	1,030

Movement in Carrying Amounts

Economic Entity	Leasehold Improvements \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Furniture and Fittings \$'000	Office Equipment \$'000	Total \$'000
2016						
Balance at 1 July 2015	36	315	138	112	429	1,030
Additions	43	26	-	1	113	183
Foreign exchange	(2)	7	1	4	6	16
Disposals	-	(25)	(11)	-	(2)	(38)
Depreciation	(26)	(163)	(44)	(36)	(148)	(417)
Balance at 30 June 2016	51	160	84	81	398	774

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Economic Entity	Leasehold Improvements \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Furniture and Fittings \$'000	Office Equipment \$'000	Total \$'000
2015						
Balance at 1 July 2014	29	220	170	79	431	929
Additions	10	47	52	10	262	381
Foreign exchange	4	4	8	(2)	51	65
Disposals	-	(2)	(26)	-	(23)	(51)
Depreciation	(8)	(68)	(48)	(10)	(160)	(294)
Balance at 30 June 2015	35	201	156	77	561	1,030

NOTE 14: INTANGIBLE ASSETS

	Economic Entity	
	2016 \$'000	2015 \$'000
Goodwill at cost	2,749	2,705
Software at cost	46	46
Less: accumulated amortisation	(46)	(46)
	-	-
Product development at cost	2,345	2,345
Less: accumulated amortisation	(2,094)	(1,843)
	251	502
Total Intangibles	3,000	3,207

2016 Economic Entity	Software \$'000	Goodwill \$'000	Product Development \$'000	Total \$'000
Balance at 1 July 2015	-	2,705	502	3,207
Foreign exchange variation	-	44	-	44
Amortisation	-	-	(251)	(251)
Balance at 30 June 2016	-	2,749	251	3,000

2015 Economic Entity	Software \$'000	Goodwill \$'000	Product Development \$'000	Total \$'000
Balance at 1 July 2014	3	2,733	725	3,461
Foreign exchange variation	-	(28)	-	(28)
Amortisation	(3)	-	(223)	(226)
Balance at 30 June 2015	-	2,705	502	3,207

NOTE 14: INTANGIBLE ASSETS (CONTINUED)

Impairment Disclosure

Goodwill is allocated to the company's cash-generating units being Healthcare.

	Economic Entity	
	2016	2015
	\$'000	\$'000
Healthcare	2,749	2,705

Goodwill has been allocated to cash-generating units on the basis of the entity acquired. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value established using the current financial year's performance adjusted for non recurring items, approved 2016/2017 budgets and forecast information using a 4% growth factor (2015: 4%) and including a terminal value using a long term growth rate of 4% (2015: 4%). The forecast assumes a 2017 budget increase in revenue of 13.09% when compared to the 2016 actual revenue; combined with recent orders placed surrounding new revenue streams developed through the Tacera Pulse program of \$0.835 million. The model also assumes the non-recurrence of restructure costs such as redundancies, warranty expenses, Perth factory closure and relocation expenses borne in the 2016 financial year. The future cash flows have been discounted using a pre-tax factor of 19.42% (2015: 14.86%).

Discounted cash flows including residual values result in a net present value of \$22.24 million (2015: \$19.162 million). The actual recoverable amount based upon the assumptions noted above exceeds the carrying amount by \$13.085 million (2015: \$12.732 million).

Discount Rate

Discount rate reflect management's estimate of the time value of money and the risks specific to cash generating unit. This is the benchmark used by management to assess operating performance and to evaluate investment in that cash generating unit. In determining appropriate discount rate, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for current perceived future business risk.

Growth Rate Estimates

Growth rate estimates are based on current economic and industry specific research. The long term rate of 4% (4%: 2015) used to extrapolate the five year forecast for the above cash generating unit, factors into account management's view of the current economic climate.

Impact of Possible Changes in Key Assumptions

In assessing the impact of possible changes in key assumptions applied to test the carrying value of goodwill allocated to the Healthcare CGU, if the pre-tax discount rate increases by 5% or if the long term growth factor reduces by 2%, when applied to this CGU, then the recoverable amount of its goodwill would still exceed its carrying amount.

NOTE 15: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		2016	2015
Parent Entity:			
Azure Healthcare Limited	Australia		
Subsidiaries of Azure Healthcare Limited			
Austco Communication Systems Pty Ltd	Australia	100%	100%
Sedco Communications Pty Ltd	Australia	100%	100%
Austco Marketing & Service (Asia) Pte Ltd	Singapore	100%	100%
Austco Marketing & Service (USA) Ltd	USA	100%	100%
Austco Marketing & Service (Canada) Ltd	Canada	100%	100%
Austco Marketing & Service (UK) Ltd	UK	100%	100%
Austco Communications (NZ) Ltd	New Zealand	100%	100%

NOTE 16: TRADE AND OTHER PAYABLES

	Economic Entity	
	2016 \$'000	2015 \$'000
Current		
Trade payables	6,366	4,632
	6,366	4,632

Due to their short-term nature trade payables are measured at amortised cost and are not discounted.

NOTE 17: BORROWINGS

	Economic Entity	
	2016 \$'000	2015 \$'000
Short term		
Hire purchase liabilities	36	44
Less deferred interest charges	-	(1)
	36	43
Fully Drawn Advance	1,988	1,288
	2,024	1,331
Long term		
Hire purchase liabilities	-	15
Less deferred interest charges	-	(2)
Employee entitlements	72	-
Non current leases liability	8	-
	80	13

The fully drawn advance facility is secured by a registered mortgage debenture over all assets and undertakings of Azure Healthcare Limited and its related entities. At the date of this report, the fully drawn

NOTE 17: BORROWINGS (CONTINUED)

advance was \$1.99 million. The Group's banking facilities are to be assessed by the ANZ Bank following the receipt of the 30 June 2016 annual report and as such are currently considered at call.

NOTE 18: PROVISIONS

	Economic Entity	
	2016 \$'000	2015 \$'000
Short Term		
Employee entitlements	1,089	894
Factory make good	75	-
Warranty Allowance	94	332
	1,258	1,226
Long Term		
Employee entitlements	72	99
Non current lease liability	8	-
	80	99

(a) Movement in Short Term Provisions

	Employee Entitlements	Factory Make Good	Warranty Allowance	Total
2016	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2015	894	-	332	1,226
Additional provisions	243	75	94	412
Amounts incurred and or charged against provision	(48)	-	(332)	(380)
Unused amounts reversed	-	-	-	-
Carrying amount at 30 June 2016	1,089	75	94	1,258

(b) Movement in Long Term Provisions

	Employee Entitlements	Non current lease liability	Total
2016	\$'000	\$'000	\$'000
Carrying amount at 1 July 2015	99	-	99
Additional provisions	-	10	10
Amounts incurred and or charged against provision	(27)	(2)	(29)
Unused amounts reversed	-	-	-
Carrying amount at 30 June 2016	72	8	80

NOTE 19: ISSUED CAPITAL AND OPTION RESERVE

	Note	Economic Entity	
		2016 \$'000	2015 \$'000
Ordinary shares fully paid	20(a)	35,123	35,042
Issue of Shares	20(b)	-	81
		35,123	35,123

(a) Movement in Ordinary Shares on Issue

	No. of shares	2016 Issue price	\$'000
At the beginning of the reporting period:	189,711,544		35,123
At Reporting Date	189,711,544		35,123

	No. of shares	2015 Issue price	\$'000
At the beginning of the reporting period:	189,312,544		35,042
Shares issued during the year	399,000	0.1645	81
At Reporting Date	189,711,544		35,123

The Company has unlimited authorised share capital of no par value ordinary shares.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Movement in Options on Issue

	Note	2016 No. of options	\$'000	2015 No. of options	\$'000
At the beginning of the reporting period:		-	-	399,000	16
Options exercised during the year		-	-	(399,000)	(16)
Expired and forfeited options		-	-	-	-
Transfer to accumulated losses		-	-	-	-
Share based payment expense		8,200,000	48	-	-
At Reporting Date		8,200,000	48	-	-

NOTE 19: ISSUED CAPITAL AND OPTION RESERVE (CONTINUED)

Nature and Purpose of Reserve

The Share Option Reserve contains amounts received on the issue of options over unissued capital of the company, or the value of options attributable to share based payments.

(c) Employee Share Scheme

For information relating to the Azure Healthcare Limited Employee Share Scheme, including details of shares issued during the financial year, refer to Note 23.

(d) Capital Management

Management controls the capital of the group in order to maintain a target debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern. The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	Economic Entity	
	2016 \$'000	2015 \$'000
Total borrowings	2,104	1,344
Less cash and cash equivalents	(1,685)	(3,157)
Net Debt	419	(1,813)
Total equity	12,170	15,537
Total capital	10,100	13,668
Gearing Ratio	3.44%	-

(e) Foreign Currency Reserve

The Foreign Currency Reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

NOTE 20: CAPITAL AND LEASING COMMITMENTS

(a) Hire purchase liabilities

	Economic Entity	
	2016 \$'000	2015 \$'000
- not longer than one year	36	44
- longer than 1 year but not longer than five years	-	15
Minimum lease payments	36	59
Less future finance charges	-	(3)
Total Hire purchase liabilities	36	56
Current liability (Note 17)	36	43
Non Current liability (Note 17)	-	13

NOTE 20: CAPITAL AND LEASING COMMITMENTS (CONTINUED)

All finance leasing and hire purchase commitments are for the financing of motor vehicles and office equipment.

(b) Operating Lease Commitments in Respect of Rented Properties

Non-cancellable operating leases contracted but not capitalised in the financial statements:

	Economic Entity	
	2016	2015
	\$'000	\$'000
- not longer than one year	458	643
- longer than one year but not longer than five years	536	819
Total Operating Lease Commitments	995	1,462

(c) Operating Lease Commitments in Respect of Motor Vehicles and Office Equipemnt

	Economic Entity	
	2016	2015
	\$'000	\$'000
- not longer than one year	90	26
- longer than one year but not longer than five years	120	10
Total Operating Lease Commitments	210	36

NOTE 21: SEGMENT REPORTING

Management has determined the operating segments based upon reports reviewed by the board and executive management that are used to make operational and strategic decisions.

Healthcare

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

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

(b) Intersegment transactions

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

NOTE 21: SEGMENT REPORTING (CONTINUED)

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) Segment assets











Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

-  Derivatives;
-  Net gains on disposal of available-for-sale investments;
-  Impairment of assets and other non-recurring items of revenue or expense;
-  Income tax expense;
-  Deferred tax assets and liabilities;
-  Current tax liabilities;
-  Other financial liabilities;
-  Intangible assets;
-  Discontinued operations; and
-  Retirement benefit obligations.

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

Results of Segments

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

Inter-segment pricing

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

NOTE 21: SEGMENT REPORTING (CONTINUED)

	-----Healthcare-----				Total \$'000	Eliminations		
	Austco / Sedco / NZ \$'000	Asia \$'000	Europe \$'000	North America \$'000		Inter company \$'000	Corporate \$'000	Group Total \$'000
2016								
Revenue – external	11,536	5,810	1,741	12,937	32,023	-	-	32,023
Revenue – intersegment	6,586	28	-	2,964	9,578	(9,578)	-	-
Interest Revenue	54	1	-	-	55	(50)	-	5
Total Revenue	18,176	5,839	1,741	15,901	41,656	(9,628)	-	32,028
Adj EBITDA	1,108	44	(118)	(3,550)	(2,517)	(319)	(313)	(3,149)
Depreciation	(197)	(37)	(18)	(136)	(388)	-	(1)	(389)
Amortisation	(251)	-	-	-	(251)	-	-	(251)
EBIT	660	7	(136)	(3,686)	(3,156)	(319)	(314)	(3,789)
Interest Expense	(10)	(1)	(1)	(53)	(65)	52	(74)	(87)
Income Tax Benefit	225	-	-	(1)	224	-	-	224
NPAT	875	6	(137)	(3,740)	(2,997)	(267)	(388)	(3,651)

2015								
Revenue – external	12,605	5,179	2,391	14,775	34,950	-	-	34,950
Revenue – intersegment	5,527	9	-	2,509	8,045	(8,045)	-	-
Interest Revenue	59	-	1	-	60	(48)	-	12
Total Revenue	18,191	5,188	2,392	17,284	43,055	(8,093)	-	34,962
Adj EBITDA	(528)	(25)	55	1,062	564	231	(106)	689
Depreciation	(109)	(42)	(27)	(83)	(261)	-	(5)	(266)
Amortisation	(223)	-	-	-	(223)	-	-	(223)
EBIT	(860)	(67)	28	979	80	231	(111)	200
Interest Expense	(1)	(1)	(1)	(44)	(47)	37	(70)	(80)
Income Tax	999	-	(10)	2	991	-	(29)	962
NPAT	138	(68)	17	937	1,024	268	(210)	1,082

Segment Assets								
30/06/2015	23,152	2,095	1,393	8,440	35,080	(26,852)	15,165	23,393
30/06/2016	21,661	2,774	859	8,417	33,711	(29,962)	18,234	21,983
Segment Liabilities								
30/06/2015	6,029	1,510	514	9,632	17,685	(11,135)	1,306	7,856
30/06/2016	5,488	2,164	386	13,863	21,901	(14,099)	2,011	9,813

NOTE 22: CASH FLOW INFORMATION

a) Reconciliation of Cash Flow from Operations with Profit After Income Tax

	Economic Entity	
	2016 \$'000	2015 \$'000
(Loss)/Profit after income tax - continuing operations	(3,651)	1,082
Profit after income tax - discontinued operations	-	11
(Loss)/Profit after income tax	(3,651)	1,093
Non-Cash Flows in profit or loss		
Depreciation and amortisation	639	520
Loss on disposal of property, plant and equipment	38	51
Profit on discontinued operations	-	(11)
	677	560
Non-cash flows - continuing operations	677	546
Non-cash flows - discontinued operations	-	(11)
Non-Cash Flows in profit or loss	677	560
Changes in Assets and Liabilities		
Decrease/(Increase) in trade and other receivables	(117)	(3,178)
Decrease/(Increase) in prepayments and other assets	534	(204)
Increase in inventories	(1,012)	(2,544)
Increase in deferred tax assets	(354)	(1,130)
Increase in trade and other creditors	1,734	228
Increase/(Decrease) in income taxes payable	-	18
Increase/(Decrease) in deferred tax liabilities	(46)	150
Increase in provisions	23	521
	434	217
Net Cash Provided by Operating Activities	(2,212)	1,870

NOTE 22: CASH FLOW INFORMATION (CONTINUED)

(b) Credit Standby Arrangements with Banks

The Group has access to financing facilities at reporting date as indicated below. The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

Bank Overdraft

Bank overdraft facilities are arranged with the ANZ Bank with the general terms and conditions being set and agreed annually. Interest rates are variable and subject to adjustment.

	Economic Entity	
	2016 \$'000	2015 \$'000
Secured Bank Overdraft Facility		
- amount used	-	-
- amount unused	450	450
	450	450
Secured Leasing Facility		
- amount used	9	82
- amount unused	241	68
	250	150
Secured Bank Loan Facility		
- amount used	1,988	1,288
- amount unused	12	12
	2,000	1,300

NOTE 23: SHARE BASED PAYMENTS

The Company established the Azure Healthcare Limited Employee Share Scheme as a means to reward employees for their contribution to the Company.

All employee options are unlisted and non-transferable. Options are issued pursuant to the Company's employee option plan with the conversion price set at the 30-day volume weighted average price prior to issuance plus 20 percent. The exercise of options will not be permitted until 36 months after grant date and expire 5 years after issuance.

For the options granted during the current financial year, the valuation model inputs used to determine fair value at that date are as follows:

Grant Date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1 Aug 2015	30 Jul 2020	\$0.17	\$0.182	85%	Nil	2.2%	\$0.093

All options granted to employees (including Key Management Personnel) are over ordinary shares in Azure Healthcare Limited (parent entity) and confer a right to one ordinary share for every option held.

NOTE 23: SHARE BASED PAYMENTS (CONTINUED)

		Parent Entity			
		2016		2015	
Note	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	
Outstanding at the beginning of the year	-	-	399,000	-	
Exercised	19	-	(399,000)	-	
Granted	19	8,200,000	0.182	-	-
Forfeited/expired	19	-	-	-	-
Outstanding at year end	8,200,000	0.182	-	-	
Exercisable at year end	-	-	-	-	

The options outstanding at 30 June 2016 had a weighted average exercise price of 18.2 cents and an average remaining contractual life of 4.08 years. The exercise price is 18.2 cents in respect of options outstanding at 30 June 2016. There were no options outstanding as 30 June 2015.

NOTE 24: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 15.

Remuneration of Key Management Personnel are disclosed in Note 5.

Transactions with related parties:

	Economic Entity	
	2016 \$'000	2015 \$'000
Occupancy Fees for the lease of the premises located at 40 O'Malley St, Osborne Park, WA were paid to Mr Robert Grey (Director). Lease term: 1 January 2007 to 31 December 2016	98	289
Occupancy Fees for the lease of the residence at 27/5 Gallant Crt, South Lake, TX US were paid to Mr Robert Grey (Director). Lease term: 28 April 2014 to 28 August 2014	-	6
Legal fees paid to CBW Partners, a firm controlled by Mr Brett Burns, for legal services rendered	5	-

NOTE 24: RELATED PARTY TRANSACTIONS (CONTINUED)

Holding Company Transactions with Subsidiaries:

Azure Healthcare Limited provided managerial, secretarial, accounting, legal and insurance services to the entire group. Azure Healthcare Limited recharges costs incurred to 100% owned subsidiaries on the basis of operating revenue contributed to the group by the subsidiary.

	Economic Entity	
	2016 \$'000	2015 \$'000
Holding Company Receivables from Subsidiaries		
Austco Communication Systems	2,281	1,298
Sedco Communications	-	355
	2,281	1,653
Sales between group companies on normal terms and conditions		
Continuing operations	9,597	8,046
	9,597	8,046

Sales between group companies eliminate on consolidation.

NOTE 25: FINANCIAL INSTRUMENTS

Fair Value Measurement

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

Interest Rate Risk

The Group's principal financial instruments comprise receivables, payables, bank loans and overdraft, cash and short term deposits. These expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Directors meet monthly to monitor and discuss the current market conditions and the impact on the Group. This monthly analysis and review considers the Group's market risk and exposure, credit risk and liquidity risk. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through annual budgets and regular forecasts. The analysis undertaken enables the Board to determine the overseas price list, the level of debt appropriate to the business and other factors which may impact on the Group's risk profile.

The method of monitoring risk has not altered from the previous corresponding period.

The economic entity'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 as follows:

NOTE 25: FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Risk

	Weighted average interest rate	Floating interest rate	Fixed Interest Maturing In		Non- interest bearing 1 year or less	Total
			1 year or less	1 to 5 years		
		\$'000	\$'000	\$'000	\$'000	\$'000
2016						

Financial Assets

Cash and cash equivalents	0.71%	1,685	-	-	-	1,685
Trade and other receivables		-	-	-	5,803	5,803
Total		1,685	-	-	5,803	7,488

Financial Liabilities

Trade and other payables		-	-	-	6,366	6,366
Bank loans	3.7%	1,988	-	-	-	1,988
Hire Purchase liabilities	0%	-	36	-	-	36
Total		1,988	36	-	6,366	8,390

	Weighted average interest rate	Floating interest rate	Fixed Interest Maturing In		Non- interest bearing 1 year or less	Total
			1 year or less	1 to 5 years		
			\$'000	\$'000		
2015						

Financial Assets

Cash and cash equivalents	0.38%	3,157	-	-	-	3,157
Trade and other receivables		-	-	-	5,686	5,686
Total		3,157	-	-	5,686	10,473

Financial Liabilities

Trade and other payables		-	-	-	4,632	4,632
Bank loans	5.55%	1,288	-	-	-	1,288
Hire Purchase liabilities	6.39%	-	43	13	-	56
Total		1,288	43	13	4,632	5,976

NOTE 25: FINANCIAL INSTRUMENTS (CONTINUED)

At 30 June 2016 the Group did not have any material exposures to interest rates. The following table illustrates, with all other variables held constant, if there was a movement of + and - 10% then pre tax profit would have been affected as follows.

	Cash and Cash Equivalents Higher/(Lower)		Short term liabilities Higher/(Lower)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest				
+10%	1	1	9	8
-10%	(1)	(1)	(9)	(8)

Risk Exposure and Responses

The Group's exposure to market interest rates relates primarily to the Group's short term deposits held. The effect of volatility of interest rates within expected reasonable possible movement would not be material.

Currency risk

		Economic Entity	
		2016 \$'000	2015 \$'000
Financial Assets			
Current assets (inc. cash and trade receivables)	USD	1,249	1,328
	NZD	1,067	1,095
	CAN	1,263	1,698
	GBP	296	498
	SGD	1,671	1,528
Financial Liabilities			
Current liabilities (inc. trade and other payables)	USD	5,075	2,801
	NZD	207	276
	CAN	3,049	2,556
	GBP	153	159
	SGD	794	576

Trade receivables / payables between group companies eliminate on consolidation.

NOTE 25: FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity Analysis

The Group currently has material exposures to the currencies in the table below.

At 30 June, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Economic Entity	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
AUD/USD +10%	(265)	107	(209)	44
AUD/USD -10%	265	(107)	209	(44)
AUD/NZD +10%	73	49	156	168
AUD/NZD -10%	(73)	(49)	(156)	(168)
AUD/CAN +10%	(55)	48	(147)	(40)
AUD/CAN -10%	55	(48)	147	40
AUD/GBP +10%	14	19	47	88
AUD/GBP -10%	(14)	(19)	(47)	(88)
AUD/SGD +10%	52	22	61	58
AUD/SGD -10%	(52)	(22)	(61)	(58)

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments. A movement of + and – 10% is selected because a review of recent exchange rate movements and economic data suggests this range is reasonable. All the amounts in the table above are displayed in \$AUD.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. It is the group's policy to consider the credit worthiness of all customers who wish to trade on credit terms.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

Price Risk

The Group's exposure to commodity and equity securities price risk is minimal.

NOTE 25: FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

The Group manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the economic entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Economic Entity	Weighted average interest rate	1 year or less \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
2016						
<i>Non-interest bearing</i>						
Trade and other payables		6,366	-	-	-	6,366
<i>Interest bearing</i>						
Bank loan	3.70%	1,988	-	-	-	1,988
Total		8,354	-	-	-	8,354

Economic Entity	Weighted average interest rate	1 year or less \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
2015						
<i>Non-interest bearing</i>						
Trade and other payables		4,632	-	-	-	4,632
<i>Interest bearing</i>						
Hire Purchase liabilities	6.39%	44	15	-	-	59
Bank loan	5.55%	1,288	-	-	-	1,288
Total		5,964	15	-	-	5,979

Bank loan facility is a floating interest at call facility thus future interest payment cannot be determined

NOTE 26: EVENTS AFTER THE REPORTING DATE

August 2016, the Company announced it received an order in North America for AUD\$1.1 million (at current exchange rates) for the supply and commission of Austco's state-of-the-art Tacera IP Nurse Call and workflow system.

No other matters or circumstances have arisen since the end of the reporting date, not otherwise disclosed in this report, which significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

NOTE 27: CONTINGENT LIABILITIES AND ASSETS

Austco Marketing & Service (Asia) Ltd

There is an outstanding performance guarantee of SGD\$100,000 in relation to a project for the National Heart Centre and NTFGH / JCH in Singapore.

Outstanding Bank Guarantees

The outstanding bank guarantees held as at 30 June 2016 amounted to \$40,860 (2015: \$81,721), which consist of financial guarantees of \$40,860 (2015 financial guarantees: \$81,721) relating to the lease agreement of the registered office at Level 18, 60 Albert Road, South Melbourne.

NOTE 28: PARENT ENTITY INFORMATION

The following information related to the parent entity, Azure Healthcare Limited as at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Parent Entity	
	2016 \$'000	2015 \$'000
Current assets	2,295	1,931
Non-current assets	15,938	8,156
Total Assets	18,233	10,087
Current liabilities	(2,011)	(1,306)
Non-current liabilities	-	-
Total Liabilities	(2,011)	(1,306)
Net Assets	16,223	8,781
Issued Capital	35,123	35,107
Accumulated losses	(18,946)	(26,342)
Option Reserve	47	16
Total Equity	8,781	8,781
Loss for the year	(387)	(208)
Profit after income tax expense from Discontinued Operations	-	11
Total comprehensive income for the year	(387)	(197)

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

NOTE 28: PARENT ENTITY INFORMATION (CONTINUED)

CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

The Directors of Azure Healthcare Limited declare that:

(a) in the Directors' opinion the financial report as set out on pages 39 to 82 and remuneration report as set out on pages 27 to 35, are in accordance with the Corporation Act 2001, including:

- (i) giving a true and fair view of consolidated entity's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date;
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
- (iii) the remuneration disclosures contained in the remuneration report comply with s300A of the Corporations Act 2001.

(b) the financial report also complies with International Financial Reporting standards issued by the International Accounting Standards Board (IASB) as disclosed in note 1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they became due and payable.

The directors have been given the declarations by the chief executive and chief financial officer for the financial year ended 30 June 2016, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



Clayton Astles

Chief Executive Officer

Dated this 26th day of September 2016, Melbourne



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INDEPENDENT AUDITOR'S REPORT

To the members of Azure Healthcare Limited

Report on the Financial Report

We have audited the accompanying financial report of Azure Healthcare Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 judgement, 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 control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. 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.

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



Independence

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

Opinion

In our opinion:

- (a) the financial report of Azure Healthcare Limited 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 35 of 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.

Opinion

In our opinion, the Remuneration Report of Azure Healthcare Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'S. Scalzo', is written over a faint, larger 'BDO' logo.

Simon Scalzo
Partner

Melbourne, 26 September 2016

Number of Holders of Equity Securities

Ordinary Shares

189,711,544 fully paid ordinary shares are held by 1,548 individual shareholders.
All ordinary shares carry one vote per share.

Distribution of Holders In Each Class Of Equity Securities

Fully paid ordinary shares	Number of shareholders
1 – 1,000	47
1,001 – 5,000	247
5,001 – 10,000	269
10,001 – 100,000	798
100,001 and over	187
Total Number of shareholders	1,548
Unmarketable parcels	373

Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share registry:

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Change of Address, Change of Name, Consolidation of Shareholdings

Shareholders should contact the share registry to obtain details of the procedure required for any of these changes.

Removal from the Annual Report Mailing List

Shareholders who do not wish to receive the Annual Report should advise the share registry in writing. These shareholders will continue to receive all other shareholder information.

Tax File Numbers

It is important that Australian resident shareholders, including children, have their tax file number or exemption details recorded with the share registry.

CHES (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHES System should contact their stockbroker.

Uncertified Share Register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of the holding.

Twenty largest Holders Of Quoted Securities

Shareholder	Number	%
NATIONAL NOMINEES LIMITED	28,956,692	15.26
MR ROBERT GREY + MS AURAWAN GREY <CETAU SUPER FUND A/C>	28,145,592	14.84
BILL BROOKS PTY LTD <BILL BROOKS SUPER FUND A/C>	11,091,491	5.85
MR ROBERT EDWARD GREY <AUSTCO A/C>	9,263,586	4.88
ASIA PAC HOLDINGS PTY LTD	8,176,517	4.31
ASIA PAC TECHNOLOGY PTY LTD	7,718,126	4.07
ASIA PAC HOLDINGS PTY LTD	3,028,859	1.6
DEBUSCEY PTY LTD	2,000,350	1.05
MR RICHARD MCINDOE	1,642,631	0.87
MR DAVID LEROY BOYLES	1,500,000	0.79
SEAN ELIAS FAMILY INVESTMENTS PTY LTD <SEAN ELIAS INVESTMENTS A/C>	1,415,064	0.75
HOLDER SUPER PTY LTD <HOLDER SUPER FUND A/C>	1,306,000	0.69
MR ANDREW DUNCAN NASH + MR GEOFFREY DUNCAN NASH <NASH SUPER FUND A/C>	1,246,485	0.66
BARWAN HOLDINGS PTY LTD <BARWAN HOLDINGS P/L S/F A/C>	1,155,329	0.61
NABRU NOMINEES PTY LIMITED <NABRU NOMINEES P/L S/F A/C>	1,101,243	0.58
MR DAVID JOHN LIGHTFOOT	1,093,993	0.58
AGRI EXPORT AUSTRALIA PTY LTD	1,061,345	0.56
VERIDADIS PTY LTD <VERIDADIS SUPER FUND A/C>	1,028,878	0.54
OLD FLETCHER & PARTNERS PTY LTD <FLETCHER SUPER FUND A/C>	1,000,000	0.53
TAHARANGI ROTORUA PTY LTD <HANH HANG SUPER FUND A/C>	1,000,000	0.53

New Hospital Project in North America

30 August, 2016

- **Order received for AUD \$1.1 million for Tacera IP based Nurse Call system**
- **Will be used to enhance communication between patients and caregivers**
- **Improved hospital workflow and resource planning expected**
- **Measure and analyse facility data using Tacera's robust reporting tools**

Tuesday, 30 August 2016 – Melbourne – Azure Healthcare Limited (ASX:AZV) is pleased to announce that its North American subsidiary has received a AUD \$1.1 million (at current exchange rates) purchase order for the supply and commission of Austco's state-of-the-art Tacera IP Nurse Call and workflow system. System commissioning and completion is expected in the 2017 financial year.

While conventional communication systems react to events, the Tacera solution sets new standards by providing monitoring and data management tools to analyze, anticipate and alert healthcare staff to patients' needs. This ability to disseminate and manage patient call information ensures that patient safety, quality of care and nursing satisfaction remain top priorities.

This hospital project will include the deployment of the popular Tacera Pulse software suite. Since its launch earlier this year, Tacera Pulse has gained significant traction in the growing healthcare market. Utilizing Pulse's powerful reporting tools, senior healthcare management can monitor call activity, staff response times and other KPIs critical to improving patient care. Key performance indicators provide healthcare organizations with actionable data needed to increase patient satisfaction, improve staff performance and optimize workflow.



