

# ParagonCare

## Appendix 4D

Name of Entity:	<b>PARAGON CARE LIMITED</b>
ABN:	<b>76 064 551 426</b>
Reporting Period:	<b>Financial Half Year ended 31 Dec 2014</b>
Previous corresponding Period:	<b>Financial Half Year ended 31 Dec 2013</b>

### Results for Announcement to the Market

	Half Year End 31st Dec 2014	Half Year End 31st Dec 2013	Variance
	\$	\$	%
Revenue from continuing operations	13,462,787	8,145,413	65%
Other Revenue	37,762	47,223	(20)%
Profit after tax from continuing operations	839,206	73,344	1044%
<hr/>			
Net Tangible assets per share (cents)	2.3	1.3	75%

### Dividends

The company has declared an interim dividend of 0.6 cents per ordinary share, to be paid on 31<sup>st</sup> March 2015 in respect of the financial half year ended 31 December 2014. The dividend will be paid to all shareholders on the register of members as at the Record Date of 10 March 2015 and represents a 20% increase over prior corresponding period.

A final dividend of 0.75 cents per share fully franked was paid in October 2014. The record date was 10th October 2014 with the payment date of 31st October 2014. Dividends paid for the 2014 financial year were 1.25c per fully paid ordinary share fully franked, a 25% increase on the full year dividend of 1c per fully paid ordinary share for the 2013 financial year.

### Dividend Reinvestment Plan

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

# ParagonCare

Name of Entity: **PARAGON CARE LIMITED**

ABN: **76 064 551 426**

## SUMMARY RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Half Year End 31st Dec 2014 \$	Half Year End 31st Dec 2013 \$	Variance %
Revenue from continuing operations	13,462,787	8,145,413	65%
Cost of Sales	(6,664,357)	(4,426,791)	51%
<b>Gross Profit</b>	<b>6,798,430</b>	<b>3,718,622</b>	<b>83%</b>
Gross Profit Margin %	50%	46%	
Other Income	37,762	47,223	(20)%
Operating Expenses	(5,233,915)	(3,346,469)	56%
<b>Earnings before interest, tax and depreciation (EBITDA)</b>	<b>1,602,277</b>	<b>419,375</b>	<b>282%</b>
Depreciation and Amortisation	(154,493)	(120,051)	29%
<b>Earnings before interest and tax (EBIT)</b>	<b>1,447,784</b>	<b>299,325</b>	<b>384%</b>
Interest Expense	(313,845)	(215,157)	46%
<b>Profit Before Tax</b>	<b>1,133,940</b>	<b>84,168</b>	<b>1247%</b>
Tax Expense	(294,733)	(10,823)	
<b>Profit/loss after tax</b>	<b>839,206</b>	<b>73,344</b>	<b>1044%</b>

## Consolidated Financial Statements

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



**PARAGON CARE LIMITED  
AND CONTROLLED ENTITIES**

**ABN: 76 064 551 426**

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2014**

**Directors' Report**  
**For the Half-Year Ended 31 December 2014**

Your directors present their report on the consolidated entity consisting of Paragon Care Limited and the entities it controlled at the end of and during the half year ended 31 December 2014.

**DIRECTORS**

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

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

**PRINCIPAL ACTIVITY**

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

**Revenue and Earnings**

The Company's EBITDA was \$1.6m for the six months ended 31 December 2014, represents more than a 2.5x increase over the prior corresponding period. Paragon Care's Net Profit after Tax (NPAT) for the half was \$839,206 vs \$73,344 in the prior corresponding period.

This result demonstrates the underlying strength in the existing capital and consumable business with improved performance driven by ongoing contract wins, combined with the solid contribution from the newly acquired Scanmedics business.

Paragon Care revenues for the 1<sup>st</sup> half of the 2015 financial year includes 3 months of the newly acquired Scanmedics business. Although the company remain exposed to large capital equipment purchasing, the successful introduction of the LR Instruments and Scanmedics businesses have enabled the company to remain profitable and cash positive throughout the financial period. The table below demonstrates the revenue variances from period to period within each financial year.

1H13	2H13	FY13	1H14	2H14	FY14	1H15	2H15 (F)	FY15 (F)
9.2m	7.9m	17.1m	8.2m	11.2m	19.4m	13.5m	16.5m to 19.5m	30m to 33m

As the company continues to mature with additional acquisitions and improved resource management, the more effective it becomes in sheltering profitably against revenue peaks and troughs.

**Directors' Report**  
**For the Half-Year Ended 31 December 2014**

For the current financial year, the company remains on track to deliver on its previous guidance of \$3.5m-\$4m EBITDA for FY 2015, which will represent strong growth over the previous financial year.

Paragon Care's EBITDA and NPAT results for the half included the significant investment into the company's strategy of consolidating all business activities onto one Enterprise Resource Planning platform (SAP). This project has transformed the organisation with increases in transactional and operational efficiency. These initiatives will continue to contribute in 2H15 as the system is further exploited.

The result also includes due diligence and accompanying acquisition related costs associated with the purchase of Scanmedics.

Paragon Care acquired Scanmedics effective 1<sup>st</sup> October 2014.

During the half, the Company recorded positive operating cash flow of \$2.1m compared to negative \$627,000 in the first half of the last fiscal year. Key contributors to this favourable result include:

- Continuing improved performance from the existing capital and consumable businesses.
- The solid performance of the Scanmedics business, demonstrating strong disciplines in cash collections and cost control.
- A strong focus on working capital management, in particular better matching of supplier payments with customer collections on an individual contract basis.
- Better than forecasted fixed cost performance as the company continues to leverage operational efficiencies.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the Directors.



S.F. Tanner  
Chairman  
26 February 2015

**RSM Bird Cameron Partners**

Level 21, 55 Collins Street Melbourne VIC 3000  
PO Box 248 Collins Street West VIC 8007  
T +61 3 9286 8100 F +61 3 9286 8999  
www.rsmi.com.au

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Paragon Care Limited for the half year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM BIRD CAMERON PARTNERS**

**R B MIANO**  
Partner

Melbourne, VIC  
Dated: 26 February 2015

**Condensed Consolidated Statement of Comprehensive Income**  
**For the Half-Year Ended 31 December 2014**

	<b>31-Dec 2014</b>	<b>31-Dec 2013</b>
Revenue	13,462,787	8,145,413
Cost of sales	(6,664,357)	(4,426,791)
<b>Gross profit</b>	<b>6,798,430</b>	<b>3,718,622</b>
Other revenue	37,762	47,223
Operating costs	(1,328,503)	(791,239)
Corporate costs	(111,154)	(111,831)
Finance costs	(313,845)	(215,157)
Selling and distribution	(93,313)	(73,279)
Employee and consultants costs (incl. directors fees and remuneration)	(3,855,439)	(2,490,171)
<b>Profit/(loss) before tax</b>	<b>1,133,939</b>	<b>84,167</b>
Income tax expense	294,733	10,823
<b>Profit for the period</b>	<b>839,206</b>	<b>73,344</b>
 <b>Other comprehensive income</b>		
Gain (loss) on cash flow hedges	463,729	26,253
<b>Other comprehensive income for the period, net of tax</b>	<b>463,729</b>	<b>26,253</b>
<b>Total comprehensive income for the period</b>	<b>1,302,935</b>	<b>99,597</b>
 Profit for the period attributable to:		
Owners of the parent	839,206	73,344
	<b>839,206</b>	<b>73,344</b>
 Total comprehensive income for the period attributable to:		
Owners of the parent	1,302,935	99,597
	<b>1,302,935</b>	<b>99,597</b>
 <b>Earnings per share</b>		
Basic (cents per share)	1.27	0.1
Diluted (cents per share)	1.27	0.1

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

**Condensed Consolidated Statement of Financial Position**  
**For the Half-Year Ended 31 December 2014**

	<b>31-Dec 2014</b>	<b>30-Jun 2014</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,162,096	2,820,379
Inventories	8,480,509	5,070,913
Trade and other receivables	5,889,612	4,064,529
Other financial assets	349,791	-
Total current assets	<u>17,882,007</u>	<u>11,955,821</u>
<b>Non-current assets</b>		
Plant and equipment	1,052,721	618,494
Deferred tax assets	735,087	776,011
Intangibles	18,237,673	13,600,386
Total non-current assets	<u>20,025,481</u>	<u>14,994,891</u>
<b>TOTAL ASSETS</b>	<u>37,907,488</u>	<u>26,950,713</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	5,243,705	3,605,759
Interest bearing liability	3,694,307	850,782
Other Financial Liabilities	-	113,938
Current tax liabilities	231,675	170,837
Provisions	697,911	500,520
Total current liabilities	<u>9,867,598</u>	<u>5,241,834</u>
<b>Non-current liabilities</b>		
Interest bearing liability	8,242,378	3,454,238
Provisions	53,879	46,374
Total non-current liabilities	<u>8,296,256</u>	<u>3,500,613</u>
<b>TOTAL LIABILITIES</b>	<u>18,163,854</u>	<u>8,742,448</u>
<b>NET ASSETS</b>	<u>19,743,634</u>	<u>18,208,265</u>
<b>Equity</b>		
Contributed equity	23,544,848	22,808,822
Reserves	349,791	(113,938)
Accumulated losses	(4,151,006)	(4,486,619)
<b>TOTAL EQUITY</b>	<u>19,743,634</u>	<u>18,208,265</u>

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



**Condensed Consolidated Statement of Changes in Equity**  
**For the Half-Year Ended 31 December 2014**

	Share capital	Share option reserve	Currency Hedge Reserve	Accumulated losses	Total equity
<b>As at 1 July 2013</b>	15,040,385	-	142,798	(4,813,707)	10,369,476
Profit / (Loss) for half year	-	-	-	73,344	73,344
Income tax adjustment	-	-	-	-	-
Gain / (loss) on cashflow hedge	-	-	26,253	-	26,253
<b>Total comprehensive income for the half year</b>	-	-	<b>26,253</b>	<b>73,344</b>	<b>99,597</b>
Dividends Paid	-	-	-	(433,084)	(433,084)
Issue of share capital	6,902,246	-	-	-	6,902,246
<b>As at 31 December 2013</b>	<b>21,942,631</b>	<b>-</b>	<b>169,051</b>	<b>(5,173,447)</b>	<b>16,938,235</b>
<b>As at 1 July 2014</b>	22,808,822	-	(113,938)	(4,486,619)	18,208,265
Profit / (Loss) for half year	-	-	-	839,206	839,206
Gain / (loss) on cashflow hedge	-	-	463,729	-	463,729
<b>Total comprehensive income for the half year</b>	-	-	<b>463,729</b>	<b>839,206</b>	<b>1,302,935</b>
Dividends Paid	-	-	-	(503,593)	(503,593)
Issue of share capital	736,026	-	-	-	736,026
<b>As at 31 December 2014</b>	<b>23,544,848</b>	<b>-</b>	<b>349,791</b>	<b>(4,151,006)</b>	<b>19,743,634</b>

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

**Condensed Consolidated Statement of Cash Flows**  
**For the Half-Year Ended 31 December 2014**

	<b>31-Dec 2014</b>	<b>31-Dec 2013</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	13,482,355	7,560,136
Payments to suppliers and employees	(10,950,964)	(8,002,562)
Interest and other items of similar nature paid	(313,845)	(218,982)
Interest received	19,942	34,011
Income tax paid	(145,090)	-
<b>Net cash provided by / (used in) operating activities</b>	<b>2,092,398</b>	<b>(627,397)</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of business, net of cash acquired	(5,878,306)	-
Payment for plant and equipment and intangible assets	(657,217)	(21,538)
Proceeds from sale of plant and equipment	82,593	14,545
<b>Net cash provided by / (used in) investing activities</b>	<b>(6,452,930)</b>	<b>(6,993)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	7,199,575
Proceeds from borrowings	5,315,940	-
Repayment of borrowings	(200,846)	(428,764)
Dividends paid	(412,845)	(433,085)
Share issue expenses	-	(424,753)
<b>Net cash provided by / (used in) financing activities</b>	<b>4,702,249</b>	<b>5,912,973</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>341,717</b>	<b>5,278,583</b>
Cash and cash equivalents at the beginning of the financial year	2,820,379	2,511,477
<b>Cash and cash equivalents at the end of the financial period</b>	<b>3,162,096</b>	<b>7,790,060</b>

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

**Notes to the Consolidated Financial Statements**  
**For the Half-Year Ended 31 December 2014**

**Note 1 Summary of significant accounting policies**

**Statement of compliance**

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

**Basis of preparation**

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014 except where noted below.

**Note 2 Segment information**

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

**Note 3 Critical accounting estimate and assumptions**

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

**Notes to the Consolidated Financial Statements**  
**For the Half-Year Ended 31 December 2014**

**Note 3 Critical accounting estimate and assumptions (cont.)**

***Impairment of goodwill***

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

With respect to cash flow projections for the Group's businesses based in Australia, growth rates of 10% have been factored into valuation models for the next five years. This is on the basis of management's expectations of increased government expenditure in both the acute and aged care market sectors, much of which has already been publicly announced, and their belief in the Group's continued ability to capture a significant share of this expenditure. The rates used incorporate allowance for inflation. No impairment has been recognised in respect of goodwill at the end of the reporting period.

**Note 4 Contingent liabilities**

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

**Note 5 Subsequent events**

No matters or circumstances have arisen since the half year ended 31 December 2014 that significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**Notes to the Consolidated Financial Statements**  
**For the Half-Year Ended 31 December 2014**

**Note 6 Business Combinations**

**Scanmedics Pty Ltd**

On 1st Oct 2014 the Company acquired Scanmedics Pty Ltd. Scanmedics is a leading provider of solutions to the healthcare sector with expert interest in specialist ultrasound, newborn care, aesthetics and cosmetic medicine in Australia and New Zealand. The acquisition of Scanmedics offers Paragon Care exposure to fast growing specialist healthcare markets and further diversifies the company's product offerings across the healthcare spectrum

**Purchase consideration**

	\$
Cash and cash equivalents	5,878,306
Ordinary shares in Paragon care (1,966,405) at \$0.328	645,278
	<u>6,523,584</u>

**Fair value and carrying value of net assets acquired**

	\$
Net working capital	1,993,679
Plant and equipment	70,036
Employee Entitlements	(159,602)
Deferred Tax Asset	47,881
Goodwill on consolidation	4,571,590
	<u>6,523,584</u>

**Reconciliation to cashflow**

	\$
Consideration of purchase	6,523,584
Equity funding	(645,278)
Net outflow of cash	<u>5,878,306</u>

**Impact of acquisition on the results of the Group**

As the acquisition of Scanmedics Pty Ltd occurred on 1 October 2014 the revenue and profit of the Group for the half year ended 31 December 2014 reflects trading for October to December 2014 of the acquired business

**Paragon Care Limited**  
**ABN: 76 064 551 426**

**Directors' Declaration**  
**For the Half-Year Ended 31 December 2014**

The Director's declare that:

1. The financial statements and notes set out on pages 7 to 13 are in accordance with the *Corporations Act 2001*, including;

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

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations, and its cash flows, for the half-year ended on that date; and

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

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



S.F. Tanner  
Chairman  
26 February 2015

**RSM Bird Cameron Partners**

Level 21, 55 Collins Street Melbourne VIC 3000

PO Box 248 Collins Street West VIC 8007

T +61 3 9286 8100 F +61 3 9286 8999

www.rsmi.com.au

**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF****PARAGON CARE LIMITED****Report on the Half-Year Financial Report**

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

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

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

*Auditor's Responsibility*

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

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

*Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



**RSM BIRD CAMERON PARTNERS**



**R B MIANO**  
Partner

Melbourne, VIC  
Dated: 26 February 2015