

Novita Healthcare Limited

ABN 53 108 150 750

Appendix 4D

Half year report Period ending 31 December 2016

Results for announcement to the market

Operating performance:	Percentage Change		Amount \$
Revenue from ordinary activities	N/M	To	Nil
Loss from ordinary activities after tax attributable to members <i>(Prior corresponding period loss: \$6,038,127)</i>	N/M	To	1,343,943
Loss for the period attributable to members <i>(Prior corresponding period loss: \$6,038,127)</i>	N/M	To	1,343,943

	31 December 2016	31 December 2015
Net tangible assets per ordinary security	0.6 cents	0.7 cents

N/M – Not Meaningful

Commentary on the Results for the Half Year

The Group generated a loss attributable to members of Novita Healthcare Limited (Novita) of \$1,343,943 for the six months ended 31 December 2016. This compares with a net loss attributable to members of Novita of \$6,038,127 reported for the corresponding period ended 31 December 2015.

The underlying loss of the group as reported in the 31 December 2016 half year has decreased significantly compared to the 31 December 2015 half year result due to an impairment charge of \$5.7 million in respect of Novita's loan to its CHUSA associate investment in 2015 as reported in the Director's Report for the year ended 31 December 2015.

Dividends

No dividend was declared during the period.

The Company does not have any dividend investment plans in operation.

Acquisitions and divestments

There have been no entities over which control has been gained or lost during the period ended 31 December 2016.

Associates and joint ventures

Avi Capital Inc. (a wholly owned subsidiary) has an equity interest of 30% in Coal Holdings USA LLC (CHUSA), the value of which was impaired in full December 2015.

Accounting Standards

The financial report has been prepared in accordance with AASB134 Interim Financial reporting and the Corporations Act 2001.

Auditors review report

The review report prepared by the independent auditor RSM Australia Partners is not subject to any dispute or qualification and is attached hereto.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

The directors present their report on Novita Healthcare Limited and its controlled entities (the 'Group') for the six months ended 31 December 2016 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name and independence status	Period of office and special responsibilities
Iain Kirkwood Executive Chairman	Appointed April 18, 2011. Executive Chairman since March 1, 2015. Chair of the Audit Committee.
Jefferson Harcourt Non-Executive Director	Appointed February 25, 2016.
Mark Simari Independent Non-Executive Director	Appointed September 1, 2016.
Bruce Hewitt	Resigned July 11, 2016
Allan Tan	Resigned November 29, 2016.
Ben Yeo	Resigned July 20, 2016.

All directors are members of the Audit Committee from the date of their appointment.

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G(1) of the Corporations Act 2001, as at the date of this report is as shown following:

Director	Number of ordinary Shares	Number of options to acquire ordinary shares
Mr I Kirkwood	2,033,563	-
Mr J Harcourt	14,133,237	-
Mr M Simari	1,000,000	-

Review of operations

The principal activity of the Group is healthcare including the research and development, for commercialisation, of medical technology projects.

The Group has recorded a loss of \$1.3 million for the six months to 31 December 2016 (31 December 2015: \$6.0 million). Novita Healthcare's operating cash consumption for the six months was \$1 million (31 December 2015: \$0.5 million) and reported closing cash resources of \$1.5 million at 31 December 2016 (30 June 2016: \$0.4 million).

For the six months to December 2016, Novita's sole focus has been on continuing the development and commercialisation of the TALi Technology and the implementation of its strategy to become a leader in the assessment and treatment of children with developmental delay.

The Group changed its name to Novita Healthcare Limited (previously Avexa Limited) and launched its new website www.novitahealthcare.com.au

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Rights Issue

On August 26th 2016, the Group issued 104,379,302 new shares from a one for one Non-Renounceable Rights Issue (Entitlement Offer) at an issue price of \$0.022 per ordinary share (New Share). \$2.1 million (net of costs) was raised. The proceeds are being applied towards the product development of TALI, clinical trials and workshops and initial rollout in targeted centres of TALI as described to shareholders at the 2016 AGM.

Share Sale Facility

On December 14 2016, the Group announced that the Share Sale Facility (the Facility) of ordinary shares for shareholders who held less than a "marketable parcel" had closed. 8,679,553 ordinary shares held by 6,096 shareholders were sold (Sale Shares). For all parcels of shares for which the sale consideration was \$2 or less, the proceeds were donated to Autism Spectrum Australia. As a result of reducing the number of shareholders by 6,096 through this Facility, the Group expects to significantly reduce the administrative costs associated with maintaining such a large number of small holdings.

TALI Heath Pty Ltd

TALI is an innovative solution in mental health problems aimed at providing an on-line training platform which is clinically proven to improve cognitive and academic performance in children.

For the six months to December 2016 the principal core activities involved:

- Development of the TALI Train attention training program (beta version). This development has involved the creation of the TALI Cloud infrastructure, where healthcare professionals can interact with their patients, monitor progress, and adjust the program for specific patient needs. Significant effort was applied to developing and testing the clinical reports generated by TALI with clinicians. Additional development has focused on using parent and patient feedback to improve game elements of the program and child engagement through positive reinforcement and rewards.
- Conducting a large scale research trial to further extend the market and evidence base of the TALI technology into non-clinical populations and education settings. This trial involved approximately 120 children who were assigned to the TALI Train program, an active control program or a passive control group. The passive control group completed teaching as usual, whilst the other 2 groups completed their assigned program 5 times a week over a 10 week period. Cognitive, behavioural and learning assessments were completed at the start of the trial (pre-training) and after the 5 week training period was finished (post-training). A 6 month follow-up assessment is planned for the end of Term 2.
- Establishing links with healthcare professionals across Australia to assist in the delivery of the TALI Train program. A comprehensive list of relevant healthcare professionals has been compiled and forms the basis for the distribution of the TALI Train program to children in need of vital early intervention.
- Initiating beta testing phase at 8 child development clinics in 3 states across Australia. The beta version of TALI Train is currently being used by healthcare professionals who focus on assessing and improving cognitive skills, such as attention in early childhood.
- Engaging in early stage research and design in collaboration with Monash University for TALI Detect™, the next generation attention screening tool driven by the core TALI technology.

Post Balance Date Events

There has not arisen since the end of the half-year any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

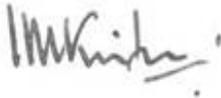
NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration forms part of the Directors' Report for the six months ended 31 December 2016 and is set out on page 4 of this report.

Dated at Melbourne this 23rd day of February 2017.

Signed in accordance with a resolution of the directors.



Iain Kirkwood
Executive Chairman

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Novita Healthcare Limited for the half year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Melbourne, VIC
23 February 2017

**CONSOLIDATED CONDENSED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the half-year ended 31 December 2016

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

**Consolidated Condensed statement of profit or loss and other
comprehensive income for the six months ended 31 December**

	31 December 2016	31 December 2015
Note	\$	\$
Revenue from operating activities	-	-
Contract research and development expenses	(703,053)	(35,710)
Personnel expenses excluding share-based payment expenses	(259,490)	(277,583)
Occupancy expenses	(57,268)	(58,201)
Depreciation and amortisation	(84,703)	(4,271)
Asset management expenses	(16,780)	(10,079)
Legal and professional services expenses	(71,812)	(187,376)
Insurance expenses	(15,764)	(29,745)
Intellectual property expenses	(24,857)	(69,425)
Impairment of investment in equity accounted associate	-	(1,023)
Impairment of loan to equity accounted associate	-	(5,741,072)
Other expenses	(144,480)	(138,335)
Results from operating activities	(1,378,207)	(6,552,820)
Foreign exchange gains/(losses)	2,382	329,988
Net finance income/(expenses)	31,882	184,705
Income tax expense	-	-
Loss from operations for the period	(1,343,943)	(6,038,127)
Loss attributable to owners of the Company	3 (1,343,943)	(6,038,127)
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Foreign currency translation reserve	(265)	(953)
Total comprehensive (loss)/income for the period attributed to the owners of the Company	(1,344,208)	(6,039,080)
Earnings per share	Cents	Cents
Basic earnings per share	9 (0.79)	(12.31)
Diluted earnings per share	9 (0.79)	(12.31)

The Consolidated Condensed Statement of profit or loss and other Comprehensive Income is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 12.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

For the six months ended 31 December 2016

	Issued capital	Accumulated losses	Foreign Currency Translation Reserve	Total equity
	\$	\$	\$	\$
Opening balance as at 1 July 2016	186,137,982	(185,180,622)	537,128	1,494,488
Comprehensive income/(loss) for the period				
Loss	-	(1,343,943)	-	(1,343,943)
Total other comprehensive loss	-	-	(265)	(265)
Total comprehensive income/(loss) for the period	-	(1,343,943)	(265)	(1,344,208)
Transactions with owners, recorded directly in equity				
Contributions by owners				
Issue of ordinary shares pursuant to rights issue	2,209,380	-	-	2,209,380
Transaction costs relating to issue of ordinary shares	(84,103)	-	-	(84,103)
Equity settled share-based payment transactions	-	-	-	-
Total transactions with owners	(2,125,277)	-	-	(2,125,277)
Closing balance as at 31 December 2016	188,263,259	(186,524,565)	536,863	2,275,557

For the six months ended 31 December 2015

	Issued capital	Accumulated losses	Foreign Currency Translation Reserve	Total equity
	\$	\$	\$	\$
Opening balance as at 1 July 2015	184,233,523	(178,397,684)	538,722	6,373,561
Comprehensive income/(loss) for the period				
Loss	-	(6,038,127)	-	(6,038,127)
Total other comprehensive loss	-	-	(953)	(953)
Total comprehensive income/(loss) for the period	-	(6,038,127)	(953)	(6,039,080)
Transactions with owners, recorded directly in equity				
Contributions by owners				
Issue of ordinary shares pursuant to share purchase Plan	-	-	-	-
Transaction costs relating to issue of ordinary shares	(15,435)	-	-	(15,435)
Equity settled share-based payment transactions	-	-	-	-
Total transactions with owners	(15,435)	-	-	(15,435)
Closing balance as at 31 December 2015	184,218,088	(184,435,811)	537,769	319,046

The Consolidated Condensed Statement of Changes in Equity is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 12.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Consolidated Condensed statement of financial position

	Note	31 December 2016	30 June 2016
		\$	\$
Assets			
Cash and cash equivalents		1,494,210	388,374
Investments		79,200	52,800
Trade and other receivables		32,290	322,264
Prepayments		34,060	15,946
Total current assets		1,639,760	779,384
Intangible assets		954,036	1,035,518
Property, plant and equipment		9,234	10,384
Total non-current assets		963,270	1,045,902
Total assets		2,603,030	1,825,286
Liabilities			
Trade and other payables		245,058	253,323
Employee benefits		82,133	77,475
Total current liabilities		327,191	330,798
Employee benefits		282	-
Total non-current liabilities		282	-
Total liabilities		327,473	330,798
Net assets		2,275,557	1,494,488
Equity			
Share capital	3	188,263,259	186,137,982
Foreign currency translation reserve		536,863	537,128
Accumulated losses	3	(186,524,565)	(185,180,622)
Total equity		2,275,557	1,494,488

The Consolidated Condensed Statement of Financial Position is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 12.

**CONSOLIDATED CONDENSED STATEMENT
OF CASH FLOWS**

for the half-year ended 31 December 2016

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

**Consolidated Condensed statement of cash flows
for the six months ended 31 December**

	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Cash receipts	303,351	289,473
Cash paid to suppliers and employees	(1,325,231)	(829,240)
Interest received	4,484	6,998
Net cash used in operating activities	(1,017,396)	(532,769)
Cash flows from investing activities		
Loans to associated entities	-	(69,592)
Acquisition of property, plant and equipment	(2,071)	-
Net cash used in investing activities	(2,071)	(69,592)
Cash flows from financing activities		
Proceeds from issue of shares pursuant to share purchase plan	2,209,380	-
Share issue costs	(84,103)	(15,435)
Net cash used in financing activities	2,125,277	(15,435)
Net (decrease) / increase in cash and cash equivalents	1,105,810	(617,796)
Cash and cash equivalents at 1 July	388,374	1,024,568
Effects of exchange rate changes on cash	26	(703)
Cash and cash equivalents at 31 December	1,494,210	406,069

The Consolidated Condensed Statement of Cash Flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 12.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

1 Reporting entity

Novita Healthcare Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2016 comprise the Company and its subsidiary entities (together referred to as the "Group" and individually as "Group entities").

2 Statement of compliance

The condensed consolidated interim financial statements are a general purpose financial report which has been prepared in Australian dollars in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the financial report of the Group at 30 June 2016. This condensed consolidated financial report was approved by the Board of Directors on 23 February 2017.

3 Issued capital and accumulated losses

	31 December 2016	31 December 2015
(i) Issued and paid up capital		
204,838,430 (2015: 49,040,973) ordinary shares, fully paid	188,263,259	184,217,088

The following movements in ordinary shares were recorded during the half-year ended 31 December 2016.

	2016	2015	2016	2015
	Number of shares	Number of shares	\$	\$
Balance brought forward as at 1 July	100,459,128	49,040,973	186,137,982	184,232,523
Transaction costs relating to issue of ordinary shares	-	-	(84,103)	(15,435)
Issue of shares pursuant to Rights Issue	104,379,302	-	2,209,380	-
Balance carried forward as at 31 December	204,838,430	49,040,973	188,263,259	184,217,088

There were no dividends paid or proposed during the period ended 31 December 2016 or in the previous interim period. Holders of ordinary shares are entitled to one vote per share at shareholders' meetings and to receive any dividends as may be declared. In the event of winding up of the Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(ii) Accumulated losses

	31 December 2016	31 December 2015
	\$	\$
Accumulated losses brought forward as at 1 July	(185,180,622)	(178,397,684)
Loss for period	(1,343,943)	(6,038,127)
Accumulated losses carried forward as at 31 December	(186,524,565)	(184,435,811)

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

4 Events subsequent to balance date

There has not arisen since the end of the half-year any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

5 Contingent liabilities and contingent assets

There are no known significant contingent liabilities or contingent assets as at the date of this report.

6 Related parties**Transactions with associates and other related parties**

	31 December 2016	31 December 2015
	\$	\$
Payment made to related parties *	489,396	-
Loans to associates and related interest	-	69,592
Interest income on loan to associate	-	192,367

*During the period the Group entered into a contract with Grey Innovation Pty Ltd, a company controlled by non-executive director Jefferson Harcourt, to undertake product development, software engineering, and regulatory compliance services for the development and commercialisation of the TALI Technology. The total contracted value was \$489,396. The contract terms are based on market rates for these types of services and amounts were paid monthly for the duration of the contract once key deliverables had been achieved and reviewed.

Outstanding balances with associates and other related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties other than KMPs:

	31 December 2016	30 June 2016
	\$	\$
Other receivables	-	-
Loans to Avi Capital Inc.	7,104,890	7,104,890
Less impairment provision	(7,104,890)	(7,104,890)
Loans carried forward as at 31 December	-	-

7 Financial instruments

The Group did not enter into any foreign currency hedging arrangements or other derivative financial instruments during the financial period.

8 Investments

Current	31 December 2016	30 June 2016
	\$	\$
Financial assets classified as available for sale	79,200	52,800
	79,200	52,800

Investments in equity instruments are categorised as Level 1 within the fair value hierarchy and are valued using market observable rates, being quoted ASX stock prices.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

9 Earnings per share

(i) Earnings reconciliation	31 December 2016	31 December 2015
	\$	\$
Net loss:		
Basic earnings	(1,343,943)	(6,038,127)
Diluted earnings	(1,343,943)	(6,038,127)
	31 December 2016 Number	31 December 2015 Number
Number for basic earnings per share:		
Ordinary shares	170,801,701	49,040,973
Number for diluted earnings per share:		
Ordinary shares	170,801,701	49,040,973
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted)	170,801,701	49,040,973

10 Segment reporting

Information about reportable segments for the six months ended 31 December 2016

	Research & Development		Investments		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
External revenues	-	23	-	-	-	23
Interest revenue	5,482	6,715	-	192,367	5,482	199,082
Impairment of loan to associate	-	-	-	5,741,072	-	5,741,072
Impairment of equity accounted investment	-	-	-	1,023	-	1,023
Other income	-	-	26,400	317,702	26,400	317,702
Reportable segment Profit/(loss) before tax	(1,359,741)	(805,464)	15,798	(5,232,663)	(1,343,943)	(6,038,127)
Reportable segment assets	2,523,830	504,358	79,200	96,000	2,603,030	600,358

The aggregate of the assets and profits for each segment is the Group total.

The Group comprises of the following two distinct business segments:

1. Research and Development – the operation of conducting health and medical research and development for commercialisation.
2. Investments – investing of excess funds in approved instruments including Australian listed equities.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

11 Group entities

Significant subsidiaries

For the six months ended 31 December 2016	Country of Incorporation	Ownership interest	
		31 December 2016	31 December 2015
AVI Capital Pty Ltd	Australia	100	100
Avexa Inc	USA	100	100
Avexa Ltd	UK	100	100
Avi Capital Inc	USA	100	100
TALI Health Pty Ltd	Australia	100	-

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

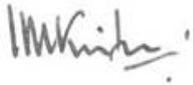
Directors' declaration

In the opinion of the directors of Novita Healthcare Limited ('the Company'):

- (a) the condensed financial statements and notes set out on pages 9 to 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 23rd day of February 2017.

Signed in accordance with a resolution of the directors.



Iain Kirkwood
Executive Chairman

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000

F +61 (0) 3 9286 8199

www.rsm.com.au

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

We have reviewed the accompanying half-year financial report of Novita Healthcare Limited which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 Novita Healthcare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 AUSTRALIA PARTNERS



R B MIANO
Partner

Melbourne, VIC
23 February 2017