

Azure Healthcare Limited
Appendix 4D - Interim Financial Report
For the Half Year Ended 31 December 2018
Results for Announcement to the Market

Current Reporting Period - Year Ended 31 December 2018

Previous Reporting Period - Year Ended 31 December 2017

	%	31 December 2018	31 December 2017
	Change Up/(down)	\$'000	\$'000
Revenue from activities	5.1%	14,972	14,242
Foreign Exchange	138.5%	62	26
Other Income		1	8
Interest income		1	-
Revenue	5.3%	15,035	14,276
Earnings before interest expense, tax, depreciation and amortisation	(136.1%)	(216)	598
Depreciation and amortisation expenses	68.5%	(214)	(127)
Earnings before interest and tax (EBIT)	(191.3%)	(430)	471
Interest expense		(19)	(34)
Profit/(loss) before income tax expense	(202.7%)	(449)	437
Income tax expense		(16)	-
Net Profit/(loss) after tax for the period attributable to members of Azure Healthcare Limited	(206.4%)	(465)	437
Other comprehensive income:			
Exchange difference arising on translation of foreign operations (movement in equity reserves)	399.2%	389	(130)
Total comprehensive income for the period attributable to members of Azure Healthcare Limited	(124.7%)	(76)	308
Net Tangible Asset per Security (cents per security)		3.37	3.66
Earnings/(losses) per share attributable to the ordinary equity holders of the company (cents per security):			
Continuing Operations (Basic and Diluted)		(0.20)	0.19
Overall Earnings per Share (Basic and Diluted)		(0.20)	0.19
Record date for determining entitlements to the dividend			Not Applicable
Dividends (distribution)		Amount per Security	Franked Amount per Security
Final dividend		n/a	n/a
Previous corresponding period		n/a	n/a
Explanation of the above information:			
Please refer to the Directors' Report - Review of Operations for further information on the Company operations over the past 6 months.			



Appendix 4D Interim Financial Report

For the Half Year Ended 31 December 2018
(previous corresponding period: Half Year Ended 31 December 2017)

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Directors' Report

Your Directors present their report on the consolidated entity consisting of Azure Healthcare Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2018.

Directors

The following persons were Directors of Azure Healthcare Limited during the half year and up to the date of this report:

Mr Graeme Billings	Non Executive Chairman
Mr Clayton Astles	Chief Executive Officer & Director
Mr Brett Burns	Non-Executive Director
Mr Anthony Glenning	Non-Executive Director (appointed 3 September 2018)

Principal Activities

The principal activities of the Company during the half year was the manufacture, supply and service of healthcare and electronic communications equipment.

Auditors independence

The Auditors independence declaration can be found on page 15 of this report.

Financial performance

Revenue from ordinary activities increased by 5.1% compared to the previous corresponding period (adoption of new accounting standards discussed at length in note 1(b) to the accounts has not given rise to any restatement of the prior corresponding period). Net profit after tax (NPAT) was a \$0.465 million net loss compared to a net profit of \$0.437 million for the previous corresponding period. Software and Software Maintenance Agreements revenues were 11% of total revenue, the same as the prior comparative period.

Gross profit margins dropped from 48.0% to 44.5% as compared to the previous corresponding period reflective of supply chain procurement challenges the business has encountered in recent months caused by uncertainty in the US tariff regime on raw materials imported from China into our US factory. Additionally, the Group incurred unrecoverable project expenses which were written off in the period.

Overhead expenses increased by 11.1% from \$6.399 million to \$7.111 million over the previous corresponding period. With the majority of our cost base being in the US, the impact of an 8% drop in Australian dollar compared to the US dollar increased our Indirect costs. Also, included in this period are \$0.544m of one-off restructuring costs which account for the majority of the increase. Additionally the increase was driven by additional travel costs to attend a larger number of project opportunities and increased professional costs the majority of which was used to enhance our engagement with shareholders.

Net tangible assets have decreased from 3.74 cents to 3.37 cents per share.

Cash and operating cashflow: Cash as at 31 December 2018 was \$2.011 million representing a decrease of \$0.296 million compared to June 2018. Cashflow from operating activities was positive \$0.676 million for the 6 months ended 31 December 2018 (more than covering a \$1.1 million increase in inventory which grew as a result of the supply chain issues encountered in the period), offset by cash used in investing activities of \$0.693 million (investing R&D in our technology) and cash used in financing activities of \$0.242 million being repayment of bank debt.

Final Dividend: The directors have not declared a final dividend as the Group will continue to focus on short-term working capital requirements and R&D investment.

Operating performance

As previously announced, the Group has been negatively impacted in the the procurement of raw materials into its factory. This has arisen as a result of uncertainty that the proposed USA tariff changes are having on goods imported from China into our US factory. The impact has been an increase in lead times for our raw materials impacting our ability to convert our sales into revenue. It has also negatively impacted our gross margin in the period and caused our inventory levels to increase. Initiatives put in place in the half year to avoid potential tariff increases and avoid increases in delivery lead times will reverse the financial impacts, but these benefits will not be seen until the next period.

A further impact of the tariff uncertainty is a build-up in our committed sales order book, the majority of which delivery to the customers (and recognition of revenue) is being hampered by the receipt of particular raw components (which we compete with many other industries for) lead times for which have significantly increased and order fulfilment sizes from our suppliers have reduced.

Directors' Report

Research & Development Expenditure

The Group invested \$1.68 million in research and development for the 6 months ended 31 December 2018 compared to \$1.72 million for the previous corresponding period. The Group remains committed to continuing this investment in scalable software solutions, particularly in mobile workflow solutions and 3rd party integrations, which will help boost organic growth in revenues.

Rounding of amounts

The Group is a company of the kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with the class order amounts in the Directors' Report and Interim Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act. 2001.



Clayton Astles
Chief Executive Officer
Melbourne
Dated 27 February 2019

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half Year Ended 31 December 2018

	Note	31 December 2018 \$'000	Consolidated Entity 31 December 2017 \$'000
Revenue	2	14,972	14,242
Other Income		64	34
Cost of Goods Sold		(8,374)	(7,440)
Gross Profit		6,662	6,836
Employee Benefits Expense		(4,600)	(4,532)
Motor Vehicle Expenses		(78)	(75)
Occupancy Expenses		(235)	(347)
Depreciation and Amortisation Expenses		(214)	(127)
Accounting, Audit, Legal and Advisor Fees		(505)	(399)
Finance Costs		(19)	(34)
Travel Expenses		(559)	(383)
Other Expenses		(901)	(502)
Total Overhead Expenses		(7,111)	(6,399)
Profit Before Income Tax		(449)	437
Income Tax Expense		(16)	-
Net Profit after tax		(465)	437
Net Profit attributable to members of Azure Healthcare Limited		(465)	437
Other Comprehensive Income			
Exchange Differences on Translation of Foreign Operations		389	(130)
Total Comprehensive Income for the Year		(76)	308
		Cents	Cents
Earnings per Share:			
Basic earnings/(loss) per share		(0.20)	0.19
Diluted earnings/(loss) per share		(0.20)	0.19

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 \$'000	Consolidated Entity 30 June 2018 \$'000
Current Assets			
Cash and Cash Equivalents		2,011	2,307
Trade and Other Receivables		6,142	6,159
Inventories		7,166	6,050
Other Assets		904	975
Total Current Assets		16,223	15,491
Non-Current Assets			
Plant and Equipment		432	526
Deferred Tax Assets		55	55
Intangible Assets	5	1,539	742
Total Non-Current Assets		2,026	1,323
Total Assets		18,249	16,814
Current Liabilities			
Trade and Other Payables		7,840	6,093
Short Term Borrowings		403	641
Current Tax Liabilities		103	46
Provisions		449	488
Total Current Liabilities		8,795	7,268
Non-Current Liabilities			
Long Term Borrowings		10	14
Provisions		11	23
Total Non-Current Liabilities		21	37
Total Liabilities		8,816	7,305
Net Assets		9,433	9,509
Equity			
Contributed Equity		38,076	38,076
Option Reserves		-	-
Foreign Exchange Reserve		(307)	(696)
Accumulated Losses		(28,336)	(27,871)
Total Equity		9,433	9,509

Interim Condensed Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2018

	Consolidated Entity				Total Equity
	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Option Reserve	
	\$'000	\$'000	\$'000	\$'000	
Balance at 1 July 2017	38,076	(28,992)	(869)	48	8,263
Profit after income tax expense for the year	-	1,194	-	-	1,194
Other comprehensive income for the year, net of tax	-	-	173	-	173
Total comprehensive income for the year	-	1,194	173	-	1,367
Transactions with equity holders in their capacity as equity holders:					
Transfer to/from reserves	-	-	-	(48)	(48)
Balance at 30 June 2018	38,076	(27,798)	(696)	-	9,582
Balance at 1 July 2018, as previously reported	38,076	(27,798)	(696)	-	9,582
Impact of change in accounting policy (note 1(b))	-	(73)	-	-	(73)
Adjusted balance at 1 July 2018	38,076	(27,871)	(696)	-	9,509
Profit/(Loss) after income tax expense for the year	-	(465)	-	-	(465)
Other comprehensive income for the year, net of tax	-	-	389	-	389
Total comprehensive income for the year	-	(465)	389	-	(76)
Balance at 31 December 2018	38,076	(28,336)	(307)	-	9,433

Interim Condensed Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2018

	Note	31 December 2018 \$'000	Consolidated Entity 31 December 2017 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		14,989	14,844
Payments to Suppliers and Employees		(14,295)	(14,390)
Interest Received		1	-
Borrowing Costs		(19)	-
Net Cash From Operating Activities		676	454
CASHFLOWS FROM INVESTING ACTIVITIES			
Payments for Acquisition of Property, Plant, Equipment & Intangible Assets		(702)	(58)
Proceeds from Disposal of Property, Plant and Equipment		9	13
Net Cash Provided by/(Used in) Investing Activities		(693)	(45)
Net Cash Used in Operating and Investing Activities		(17)	409
CASHFLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(242)	(237)
Payment of Lease and Hire Purchase Liabilities		-	(4)
Net Cash Provided by/(Used in) Financing Activities		(242)	(241)
Net Increase in Cash Held		(259)	168
Cash and Cash Equivalents at Beginning of Year		2,307	1,717
Effects of Exchange Rate Changes in Cash		(37)	(2)
Cash and Cash Equivalents at End of Year		2,011	1,883

Notes to the Interim Condensed Consolidated Financial Statements

Note 1. Basis of Preparation

This half-year financial report covers the consolidated entity consisting of Azure Healthcare Limited and its controlled entities. Azure Healthcare Limited is a listed public company, incorporated and domiciled in Australia. The nature of the operations and principal activities of the consolidated entity are described within Note 2.

(a) Basis of Preparation

This financial report is intended to provide users with an update on the latest annual financial statements of Azure Healthcare Limited (the Company) and its controlled entities (the Group). This half-year report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for for-profit oriented entities. It is recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the interim period. The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(b) Summary of the Significant Accounting Policies

The consolidated 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.

New standards, interpretations and amendments adopted by the Group

The accounting policies and methods of computation applied by the consolidated entity in these interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the full year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018. The Group applies, for the first time, AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments. As required by AASB 134, the nature and effect of these changes are disclosed below.

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted AASB 15 using the modified retrospective approach – i.e. by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under AASB 118 and AASB 111.

Key elements of the Group's transition assessment, new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's goods and services are set out below.

The Group has undertaken a detailed review of AASB 15 together with a detailed review of all material revenue contracts. This review included assessing all contract types for the entire revenue base against the 5-step model for recognising revenue outlined in AASB 15. The review considered potential changes in the timing of revenue recognition, measurement of the amount of revenue and note disclosure changes as a result of adopting AASB 15.

The key revenue streams that were assessed under AASB 15 for each of the Group's reporting segments were as follows:

- *Revenue from the sale of inventory*, The Group's contracts with customers for the sale of equipment generally include one performance obligation. The Group has concluded that revenue from sale of equipment should be recognised at the point in time when control of the asset is transferred to the customer. Therefore, the adoption of AASB 15 did not have an impact on the timing of revenue recognition;
- *Revenue from the rendering of a service*, primarily the installation of Austco and Sedco nurse call systems, is recognised upon the delivery of the service to the customer. Under AASB 15, the Group concluded that revenue from installation services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group;
- *Revenue from software contracts or agreements*, primarily software licences or service and maintenance agreements (SMA's). Software can be sold as a licence for a period, or as a licence in perpetuity. SMA's are sold for specified periods. Revenue for software sold with a perpetual right is recognised in full on the sale of the software as no future performance obligations are required. Revenue for SMA's and Software sold as a licence over a finite time period, will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group; and
- *Warranty's associated with contracts*, certain contracts allow for warranty against manufacturing defects. These are not sold separately. In some regions the warranty is provided as a part of a legal or minimum statutory requirement. The warranty does not provide the customer with any additional service in addition to assurance that the product will function as specified. As such we have determined that the warranty obligations under the contracts reviewed are of an assurance nature and do not form a separate performance obligation under AASB 15, and will be recognised in accordance with AASB 137.

Notes to the Interim Condensed Consolidated Financial Statements

(continued)

Note 1. Basis of Preparation (continued)

(b) Summary of the Significant Accounting Policies (continued)

Revenue Stream	AASB 118 (FY18)	AASB 15 (FY19)
Sale of inventory	Transfer of risks and rewards	Transfer of control AASB 15 does not impact revenue recognition
Rendering of a service	recognised over time, using an input method to measure progress towards complete satisfaction of the service	recognised over time, using an input method to measure progress towards complete satisfaction of the service AASB 15 does not impact revenue recognition
Software	Perpetual Licence: upfront Period Licence: Over licence period	Perpetual Licence: upfront Period Licence: Over licence period. AASB 15 does not impact revenue recognition
SMA's	See below	See below
Warranty's	No revenue recognised as only assurance type warranties that are covered by AASB 137	No revenue recognised as only assurance type warranties that are covered by AASB 137 AASB 15 does not impact revenue recognition

SMA's	AASB 118 (FY18) Revenue Recognition	AASB 15 (FY19) Revenue Recognition
Type 1 Billed Monthly	Revenue recognised monthly	Revenue recognised monthly AASB 15 does not impact revenue recognition
Type 2 Invoiced in Advanced	Revenue recognised monthly	Revenue recognised monthly AASB 15 does not impact revenue recognition
Type 3 Embedded	No revenue recognised	Allocation of Transaction Price based on their relative stand-alone Selling Prices needs to be apportioned across all service obligations, the portion allocated to the SMA to be recognised over time, using an input method to measure progress towards complete satisfaction of the service AASB 15 does impact revenue recognition.

Financial Impact of adopting AASB 15

The financial impact of adopting AASB 15 relates to Type 3 Embedded SMA's and gave rise to an adjustment to increase opening retained losses by \$73k, reflecting the deferral of \$73k of revenue that were recognised in FY 2018 under previous accounting standards. Approximately \$53k of this adjustment has been recognised as revenue in the consolidated 31 December 2018 accounts. In addition, new Type 3 SMA's entered into since 1 July 2018 have given rise to \$38k of the Transaction Price allocated to the SMA, of which \$11k has been recognised as revenue to 31 December 2018.

Trade and other payables includes deferred revenue (Contract Liabilities) of \$765k as at 31 December 2018.

Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 2 for the disclosure on disaggregated revenue.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The new impairment model is a move away from the previous incurred credit loss approach to the expected credit loss approach. AASB 9 has been applied retrospectively and upon adoption there was no significant impact on current financial instrument classification and measurement practice.

The book value of financial assets and liabilities are considered to approximate their fair values.

Standards issued but not yet effective

AASB 16 Leases

AASB 16 replaces existing leases guidance and effectively introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The standard removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. This will effectively move all off-balance sheet operating leases onto the balance sheet that is similar to current finance lease accounting. The application date of this standard for the Group will be 1 July 2019.

Management is currently assessing the impact of this new standard on the entity's leases.

Notes to the Interim Condensed Consolidated Financial Statements

(continued)

Note 1. Basis of Preparation (continued)

(c) Going Concern

The Group has a \$0.465 million net loss for the six months ended 31 December 2018 compared to a net profit of \$0.437 million for the previous corresponding period, which included a number of one-off costs, in particular restructuring costs of \$0.544 million. The Group recorded a net cash inflow position from operating activities for the six months to December 2018 of \$0.676 million compared to a net cash inflow of \$0.459 million for the prior corresponding period. The Group has current borrowings of \$0.403 million, which is scheduled to be fully repaid by September 2019.

These financial statements have been prepared on the basis that the group is a going concern, which contemplates the continuity of its business, realisation of assets and settlement of liabilities in the normal course of business.

To this end, the group is expecting to fund its ongoing obligations as follows:

- The company has cash reserves at 31 December 2018 of \$2.011 million;
- The financial loss for the six months to 31 December 2018 of \$0.465 million included one off restructuring costs of \$0.544 million;
- The company generated positive cash flow from operating activities of \$0.676 million;
- Current assets significantly exceed current liabilities at 31 December 2018;
- The directors are confident of achieving the forecasted operating cash flows underpinned by a strong sales order book as at 31 December 2018; and
- The company has a track record of obtaining and renegotiating bank borrowing facilities in prior periods and the ability to repay facilities as and when they fall due.

Notes to the Interim Condensed Consolidated Financial Statements

(continued)

Note 2. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers, for the six months ended 31 December 2018:

	Equipment	Installation	Software & SMA	Total
<i>Type of Good or Service</i>	\$000	\$000	\$000	\$000
Sale of equipment	10,687	-	-	10,687
Installation services	-	2,694	-	2,694
Sale of Software & Maintenance Agreements	-	-	1,591	1,591
Total revenue from contracts with customers	10,687	2,694	1,591	14,972
Geographical Markets				
Australia/New Zealand	4,939	457	444	5,840
North America	3,271	1,808	790	5,869
Europe	1,048	304	81	1,433
Asia	1,429	124	276	1,830
Total revenue from contracts with customers	10,687	2,694	1,591	14,972
Timing of revenue recognition				
Goods transferred at a point in time	10,687	-	1,041	11,728
Services transferred over time	-	2,694	551	3,244
Total revenue from contracts with customers	10,687	2,694	1,591	14,972

Set out below is the disaggregation of the Group's revenue, for the six months ended 31 December 2017:

	Equipment	Installation	Software & SMA	Total
<i>Type of Good or Service</i>	\$000	\$000	\$000	\$000
Sale of equipment	10,297	-	-	10,297
Installation services	-	2,360	-	2,360
Sale of Software & Maintenance Agreements	-	-	1,586	1,586
Total revenue	10,297	2,360	1,586	14,242
Geographical Markets				
Australia/New Zealand	4,578	177	479	5,234
North America	3,477	1,859	749	6,085
Europe	956	270	67	1,293
Asia	1,286	53	291	1,630
Total revenue	10,297	2,359	1,586	14,242
Timing of revenue recognition				
Goods transferred at a point in time	10,297	-	1,170	11,467
Services transferred over time	-	2,360	416	2,776
Total revenue	10,297	2,360	1,586	14,242

On adoption of AASB 15 (see note 1(b)), comparative revenues were not restated. However, comparative disaggregated information (prepared under AASB 118) is provided as the impact of adopting AASB 15 was not significant.

Notes to the Interim Condensed Consolidated Financial Statements

(continued)

Note 3. Segment Information

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. The group 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 group is segmented into four geographic regions consisting of Australia/New Zealand, Asia, Europe and North America.

	Australia / NZ \$'000	Asia \$'000	Europe \$'000	North America \$'000	Total	Eliminations		
						Inter company \$'000	Corporate \$'000	Group Total \$'000
31 December 2018								
Revenue - external	5,917	1,819	1,424	5,864	15,024	(52)	-	14,972
Revenue - intersegment	76	-	9	3,491	3,576	(3,576)	-	-
Interest Revenue	28	0	0	-	28	(27)	-	1
Total Revenue	6,021	1,819	1,433	9,355	18,628	(3,655)	-	14,973
EBITDA	730	(129)	115	(884)	(168)	117	(166)	(217)
Depreciation	(27)	(7)	(6)	(100)	(140)	-	-	(140)
Amortisation	-	-	-	(74)	(74)	-	-	(74)
EBIT	704	(136)	109	(1,058)	(382)	117	(166)	(431)
Interest	-	-	-	(28)	(28)	28	(19)	(19)
Income Tax	-	-	(15)	(1)	(16)	-	-	(16)
NPAT	704	(136)	94	(1,087)	(425)	145	(185)	(465)
31 December 2017								
Revenue - external	5,283	1,644	1,293	6,056	14,276	-	-	14,276
Revenue - intersegment	203	2	-	2,782	2,987	(2,987)	-	-
Interest Revenue	26	0	0	-	26	(26)	-	0
Total Revenue	5,512	1,646	1,293	8,838	17,289	(3,013)	-	14,276
EBITDA	1,285	(126)	276	(818)	617	99	(118)	598
Depreciation	(28)	(9)	(13)	(77)	(127)	-	-	(127)
Amortisation	-	-	-	-	-	-	-	-
EBIT	1,257	(135)	263	(895)	490	99	(118)	471
Interest	-	(1)	-	(26)	(27)	25	(32)	(34)
Income Tax	(0)	-	-	-	(0)	-	-	(0)
NPAT	1,257	(136)	263	(921)	463	124	(150)	437
Segment Assets								
30/06/2018	22,215	1,762	1,345	10,060	35,382	(27,591)	9,023	16,814
31/12/2018	22,834	1,440	1,558	11,564	37,396	(27,742)	8,595	18,249
Segment Liabilities								
30/06/2018	5,584	1,464	509	18,127	25,684	(19,074)	622	7,232
31/12/2018	5,058	1,269	617	20,966	27,910	(19,472)	378	8,816

Results of Segment

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

Inter-segment pricing

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Company. These transfers are eliminated on consolidation.

Notes to the Interim Condensed Consolidated Financial Statements

(continued)

Note 4. Dividends

The Company resolved not to declare any dividends in the period ended 31 December 2018.

Note 5. Capitalisation of research & development

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's analysis that technological and economic feasibility is confirmed once a product development project has reached defined milestones according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, product life cycle and expected period of benefits. At 31 December 2018, the carrying amount of capitalised development costs was \$1.539 million (June 2018: \$0.742 million).

Note 6. Contingent Liabilities and Assets

There has been no changes in contingent liabilities and assets reported since the last annual reporting date.

Note 7. Net Tangible Assets

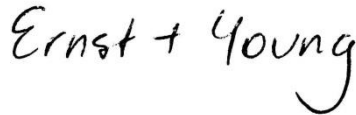
	31 December 2018	30 June 2018
	\$'000	\$'000
Net Tangible Assets	7,839	8,712
	No. #	No. #
Closing Shares	232,712,827	232,712,827
	Cents	Cents
Net Tangible Assets (cents)	3.37	3.74

Auditor's Independence Declaration to the Directors of Azure Healthcare Limited

As lead auditor for the review of Azure Healthcare Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) 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 financial period.



Ernst & Young



Joanne Lonergan
Partner
27 February 2019

Independent Auditor's Review Report to the Members of Azure Healthcare Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Azure Healthcare Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2018, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

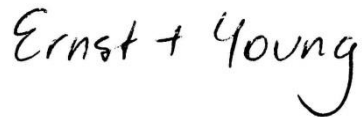
Auditor's Responsibility

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, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, 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*.



Ernst & Young



Joanne Lonergan
Partner
Melbourne
27 February 2019