Azure Healthcare Limited
Appendix 4E – Year End Financial Report
For the Year Ended 30 June 2019
Results for Announcement to the Market

Current Reporting Period - Year Ended 30 June 2019

Previous Reporting Period - Year Ended 30 June 2018

	% Change Up/(down)	30 June 2019 $'000	30 June 2018 $'000
Revenue from activities	**9.5%**	31,697	28,940
Foreign Exchange	**445.8%**	83	(24)
Other Income		6	31
Interest income		4	1
Revenue excluding interest income	**9.8%**	**31,786**	**28,947**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(64.6%)**	**558**	**1,577**
Depreciation and amortisation expenses		(438)	(264)
Earnings before interest and tax (EBIT)	**(90.9%)**	**120**	**1,313**
Net interest expense		(33)	(59)
Profit/(loss) before income tax expense	**(93.1%)**	87	1,254
Income tax (expense) / credit		550	(60)
Net Profit/(loss) after tax for the period attributable to members of Azure Healthcare Limited	**(46.6%)**	**637**	**1,194**
Other comprehensive income:			
Exchange difference arising on translation of foreign operations (movement in equity reserves)	120.2%	381	173
Total comprehensive income for the period attributable to members of Azure Healthcare Limited	**(25.5%)**	**1,018**	**1,367**
Net Tangible Asset per Security (cents per security)		**3.39**	**3.78**
Earnings/(losses) per share attributable to the ordinary equity holders of the company (cents per security):			
Basic Earnings per Share		0.27	0.51
Diluted Earnings per Share		0.27	0.51

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 12 months.

Azure Healthcare Limited

ABN 67 108 208 760

Financial Statements
For the year ended 30 June 2019

CONTENTS

Directors' Report

The Directors present their report for the year ended 30 June 2019.

Directors

The names of the Directors in office during the financial year and at the end of the year were:

Mr Clayton Astles (Chief Executive Officer & Executive Director)

Mr Astles was appointed in July 2015 as CEO and Executive Director. Mr Astles has worked with Azure for the last 10 years in various roles including President of Azure Healthcare's operating subsidiary Austco Marketing & Services (USA) Ltd. He has helped build the Company'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.

Clayton, who has over 15 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.

Mr Graeme Billings (Non-Executive Chairman)

Mr Billings was appointed Chairman in October 2015. He 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, GUD Holdings Limited and DomaCom Limited. Graeme also serves as the Chairman of the audit and compliance committee of GUD Holdings Limited, Clover Corporation Limited and DomaCom Limited.

Mr Brett Burns (Non-Executive Director)

Mr Burns was appointed Non-Executive Director in 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 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 two private companies, one being Australia's largest tap ware manufacturers, and the other a consumer finance Company. Brett is also a member of the Australian Institute of Company Directors.

Mr Tony Glenning (Non-Executive Director)

Mr Glenning was appointed Non-Executive Director in September 2018. Mr Glenning is a seasoned Chief Executive and Non-Executive Director with a career spanning 25 years in the software development industry, 14 of those years living and working in Silicon Valley. In 1999, he founded Tonic Systems, a web application development Company which he built up over 8 years and sold to Google in 2007 as part of the Google doc suite of products. He transferred to Google post acquisition where he worked as Senior Software Engineer for two years. From 2010 to 2018, Mr Glenning was an Investment Director for Starfish Ventures, based in Melbourne, a venture capital firm that specialises in Australian high growth technology businesses, and during that time held directorships at Aktana, Atmail, DesignCrowd, MetaCDN and Nitro Software. Currently Mr Glenning is the Fund Manager at Skalata Ventures, investing in early stage companies, preparing them to scale and grow into significant and sustainable businesses.

Mr Glenning is also a Non-Executive Director of ASX listed Pro Medicus (PME). He holds a Bachelor of Engineering (Electrical) and a Bachelor of Computer Science from The University of Melbourne, and a Master of Science (MSEE) from Stanford University in California.

Company Secretary

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

Mr Brendan Maher (Company Secretary)

Mr Maher was appointed Company Secretary on 22 October 2019, joining Azure as a qualified Chartered Accountant with over 29 years' experience gained both in Australia and overseas with Arthur Andersen, National Westminster Bank, Skilled Group and Adslot Limited. Mr Maher has extensive experience in financial reporting, corporate transactions and was Chief Financial Officer at Adslot as well as Company Secretary of Skilled Group and Adslot prior to joining Azure. Mr Maher is a member of the Institute of Chartered Accountants in Australia and New Zealand, and is a graduate of the Australian Institute of Company Directors.

Mr Jason D'Arcy (Company Secretary)

Mr. D'Arcy was Company Secretary during the year until 3 December 2018.

Directors' Interests in the shares and options of the Company

The following table sets out each director's relevant interest in shares or options in shares of the Company at the date of this report.

	# of ordinary shares	# of options over ordinary shares
Clayton Astles	1,681,870	2,792,552*
Graeme Billings	266,667	-
Brett Burns	300,629	-
Anthony Glenning	900,000	-

* The options over ordinary shares for Mr Astles are subject to shareholder approval to be sought at the next Annual General Meeting of the Company.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Director Meetings		Audit & Risk Management Committee		Nomination & Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Graeme Billings	17	17	2	2	1	1
Brett Burns	17	17	2	2	1	1
Clayton Astles	17	17	2	2	1	1
Anthony Glenning	13	13	2	2	-	-

Mr Billings is Chairman of the Company's Board of Directors and of the Audit & Risk Management Committee. Mr Burns is Chairman of the Nomination & Remuneration Committee.

Directors' Report

Principal Activities

The principal activities of the Company during the financial year were the development of software and manufacture of hardware relating to healthcare and electronic communications systems.

Operating and financial review

Azure Healthcare ended FY19 with a statutory net profit after tax of $0.64 million. Normalised profit for the year was $0.76 million, which included a tax benefit of $0.60 million, and costs relating to restructuring and project write offs of $0.54 million and $0.18 million respectively.

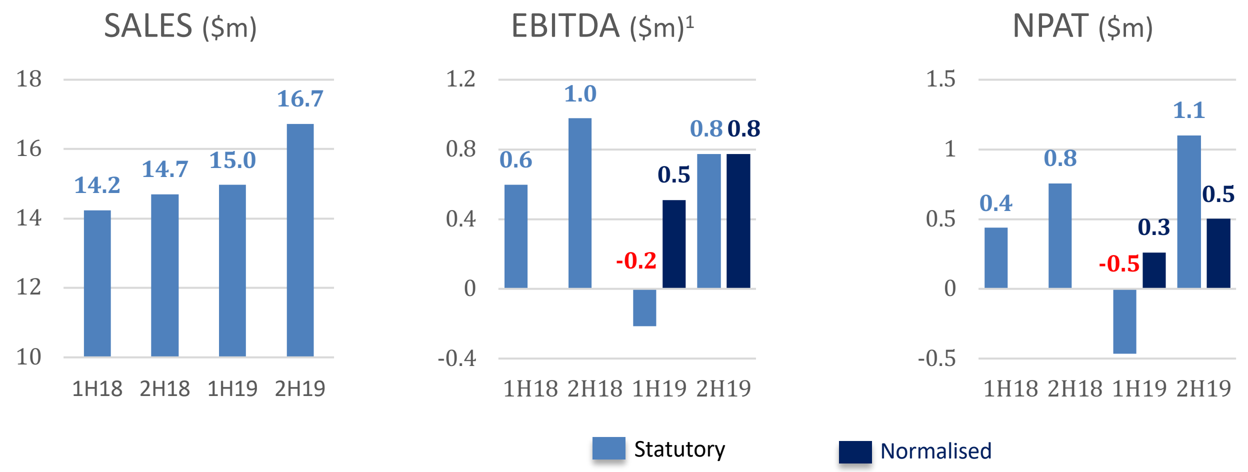
The year was one of two distinct halves. The first half included costs associated with the management restructure, as well as cost and component procurement challenges generated by the Trump administration's introduction of tariffs on Chinese goods imported to the US, where our manufacturing facility is located. As a result, our first half produced a statutory loss of $0.47 million.

However, measures were effected to mitigate the impact of the tariffs and these began to take effect in the second half, which allowed the business to return to profit.

Despite the year's challenges, FY19 sales increased by 9% over the previous year, from $28.9 million to $31.7 million. Margins showed signs of increasing in Q419, evidence of the success of our efforts to source suppliers outside China, as well as other steps taken to mitigate our tariff risk. Guidance provided to the market in November 2018 and reiterated in February 2019 was exceeded and the order book remains at record levels in spite of expedited order fulfilment.

Earnings Momentum Gaining in 2H19

On all earnings measures the second half performance far outweighed the first half.



[1] The Company believes this unaudited non-IFRS information is relevant to the user's understanding of the Company's underlying performance.

Sales revenue for 2H19 was 11.7% higher than 1H19 and 13.8% above the previous corresponding period. Given the long lead time for much of the sales activity, it is clear that the benefits from the restructure are beginning to become apparent.

Gross margin increased from 44.5% (45.7% normalised) in the first half to 47.3% in the second half as a result of decreased cost of goods arising from a partial and ongoing shift away from China as the sole source for componentry, as well as the benefits of lower unit costs as a result of larger raw materials and component orders.

The strong order book has put pressure on order fulfillment and timing of order completion resulting in an increase in inventory of $0.881 million to $6.93 million, representing a 14.6% increase. This increase has enabled the business to maintain its sales activity and control its cost of goods by increased order sizes to benefit from lower unit cost and shorter timeframes.

Cash on hand was $1.95 million as at 30 June 2019, down $0.07 million from the half year at $2.01 million and $0.36 million down from the previous year at $2.31 million. This decrease is the result of funding increased inventory, as well as the additional cash costs of the first half. Positive operating cashflow of $1.42 million was generated compared to $2.03 million in the previous corresponding period. The Company repaid $0.37 million in short-term borrowings during the year and in July a new working capital facility was activated to replace an ANZ facility.

Encouraging Operational Performance in Difficult Environment

The November market update advised of the particular challenges encountered by the business in the face of the imminent introduction of US tariffs on goods imported from China. The announcement of these proposed tariffs immediately resulted in a substantial increase in market demand for Chinese goods to be delivered and stockpiled prior to the commencement of the tariff regime. As a result, the business experienced longer than normal delays and higher unit costs in sourcing Chinese componentry.

Based on the stronger than anticipated second half performance, management action has clearly mitigated these operational risks by diversifying its supply chain and increasing order quantities to benefit from lower unit costs. Improvements to operations include the introduction of drop shipping to all resellers in Canada, Australia, Asia and the Middle East, translating into lower levels and costs of regional inventory, and reduced product costs and delivery timelines. Order fulfilment improvements, such as updated software and revised processes, have been instituted in our warehouse to support the move to drop shipping. Production efficiencies have also been realised through the deployment of material requirements planning software and more streamlined processes.

The business is continuing to experience a high level of demand for its hardware and software and the order book remains at an unprecedentedly high level. The strength of the order book is evidence of the superior technology and service offered by the business and further demonstrates Azure Healthcare's position as a nurse call industry leader. Testimony to this are the two large contracts for the flagship product, Tacera, that were entered into in Canada. In August 2018, a $1.9 million agreement was signed with a new Canadian hospital to supply the Tacera solution and in April 2019, the business announced that it had entered into a $1.3 million contract for its Pulse Mobile and Reports and Dashboards software solution with a large owner and operator of senior living communities across Canada.

With the restructuring largely complete, the main focus for the year was on gaining momentum in sales growth. The company is continuing with its global growth initiatives as new agreements were entered into with resellers in China, India, Bangladesh, Sri Lanka, and Pakistan.

Particularly strong sales performances were achieved in New Zealand, as well as Canada with several large contract wins and a growing order book.

During the year, Azure Healthcare products received a CE marking which is a certification that indicates compliance with certain standards and is a requirement for products sold in the European Economic Area. This regulatory approval means that the business can continue its expansion in the UK and across Europe.

Research & Development

A relentless focus on research and development over the past several years has produced the Tacera product suite that is in a class of its own, outperforming competitor products. The $1.3 million contract in Canada is proof of the superiority of Azure Healthcare's products given it was awarded to the Company outside of a competitive process because there was no comparable product in the marketplace.

The company's focus on research and development has resulted in several new product releases that have allowed Tacera to retain its best in class position in the market. A new application station touch screen provides a clear display of active calls and rounding reminders, improving the quality of care given and consequently increasing patient satisfaction levels. Similarly, a two-way intercom module that uses voice over internet protocol (VoIP) to enable communication between healthcare staff and patients in their rooms was launched, called IP

Talktwo Intercom. Audio in the room offers many benefits for both staff and patients, most notably, delivering an improvement in the efficiency of patient care.

Work continues on added functionality and expanded capability of the enterprise reporting and analytics system and new features are continually being added to existing platforms to stay ahead of the market. Pulse Mobile, a smart phone application released in July 2017 enabling staff to receive third party system alarms directly on their personal devices, currently has new features under development such as secure text messaging and enhanced workflow functionality.

Azure's Medicom, Tacera and Pulse brands are recognized globally as best-in-class healthcare communications and clinical workflow systems. The development of an open architecture, VOIP capable system that delivers IP to the patient bedside, is key to the evolution of the Tacera and Pulse brands well into the future.

Azure's touchstone for growth is innovation with a development roadmap paved with initiatives adopting technological advances in artificial intelligence, machine learning and sensors technology. Into the future, in-room application stations, as well as other innovations such as voice and gesture control to govern room systems or generate alarms, will help ensure the delivery of quality patient care.

Governance

During the first half, the board was strengthened with the appointment of Anthony Glenning as a non-executive director. Mr Glenning's background in growing technology businesses from start-ups to successful entities in highly competitive markets will be advantageous as the business consolidates its revitalised operating platform and focuses on up-scaling its sales activity.

The business has also been strengthened by the appointment of Brendan Maher to the position of Chief Financial Officer in October last year. Most recently, Mr Maher was CFO and Company Secretary for software development company, Freestyle Technology, and has extensive experience in capital raisings, acquisitions and divestments, and new market entry in both listed and unlisted environments. The leadership of the Australian operations has been further strengthened with the extension of Mr Maher's remit to include the role of the Chief Operating Officer, effective earlier this year.

The Future

The global nurse call and workflow solutions market remains strong with forecast compound annual growth of approximately 11% until 2025. Current and future demand is dominated by hospitals and assisted living centres, which account for almost 90% of the current market and its forecast growth. While hospital systems tend to be more complex, assisted living centres often require simpler systems, with Azure Healthcare's hardware and software able to service the different requirements of each. With its renewed operating foundation, the business is primed to grow its market share with products that are considered premium in the marketplace.

Sales opportunities remain strong in all the key marketplaces in which Azure operates and we are resourcing our regional offices with the sales and marketing personnel necessary to capture a greater share of each region.

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

In July 2019 the Company refinanced its secured banking facility and entered into a new shadow debtor financing facility with a new financier with a facility limit of $1.25m. As part of the refinancing, the existing facility debt of $113k was taken over by the new financier and the security (being a registered mortgage debenture over all assets and undertakings of Azure Healthcare Limited and its related entities) was also transferred.

Likely future developments and expected results of operations

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

Like in FY2019, in 2020 we will continue to focus on the following key objectives and initiatives to improve our business:

- Continue our focus on quality new products that will differentiate us from our competitors;
- Continue to increase manufacturing efficiencies and sales initiatives to maximise sales opportunities;
- Continue the ramp up of recurring revenue based on our subscription based pricing model; and
- Build further strategic partnerships with market leading healthcare technology companies.

In terms of the opportunities in front of us, the global nurse call market is forecast to experience an estimated compound annual growth rate of 11 percent between now and 2025, according to Transparency Market Research. It is predicted that by the end of that period the value of the market will be in the order of USD$2.68 billion, with the largest and fastest growing segment in the USA. As a sector that is driven by the communication centred around caring for the sick and the elderly, and with an ageing population, the opportunities globally are many and long term. Those who succeed will need to keep innovating, maintain strict quality and efficiency regimes, and invest in people with the right skills and experience.

Environmental regulation

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

Dividends

No dividends were paid or declared for the year ended 30 June 2019 (2018: Nil)

Shares under options

As at the date of this report, there were 7,832,306 unissued ordinary shares under options (7,832,306 at reporting date). Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Shares issued on the exercise of options

No ordinary shares of Azure Healthcare Limited were issued during the year ended 30 June 2019 (2018: nil) and up to the date of this report on the exercise of options granted.

Insurance and indemnifying directors and officers

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. Under the Company's Constitution, the Company indemnifies the Directors and officers of the Company and its wholly owned subsidiaries to the full extent permitted by law against any liability and all legal costs in connection with proceedings incurred by them in their respective capacities.

The Company has a Directors & Officers Liability Insurance policy in place for all current and former officers of the Company and its controlled entities. The policy affords cover for loss in respect of liabilities incurred by Directors and officers where the Company is unable to indemnify them and covers the Company for indemnities provided to its Directors and officers. This does not include liabilities that arise from conduct involving dishonesty. The Directors have not included the details of the premium paid with respect to this policy as this information is confidential under the terms of the policy.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Proceedings on behalf of company

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.

Rounding of amounts

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

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF AZURE HEALTHCARE LIMITED

As lead auditor for the audit of the financial report of Azure Healthcare Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst + Young

Ernst & Young

Joanne Lonergan
Partner
29 August 2019

Non audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax compliance services	52,439
Assurance related	-
Special audits as required by jurisdictional regulators	-
Total	52,439

Taxation compliance services totalling $154,608 were paid to Ernst & Young Australia and its overseas affiliates (Note 25).

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following headings:

Section 1: Remuneration report overview
Section 2: Remuneration policy
Section 3: Executive employment agreements
Section 4: Details of directors' and key management personnel fees and remuneration
Section 5: Share based compensation
Section 6: Equity holdings and transactions
Section 7: Other transactions with key management personnel

1. Remuneration report overview

The Directors of Azure Healthcare Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2019. This Report forms part of the Directors' Report and has been audited in accordance with section 200A of the *Corporations Act 2001*. The Report details the remuneration arrangements for the Group's key management personnel (KMP):

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

KMP are those persons who, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group. The table below outlines the KMP of the Group and their movements during FY19:

Name	Position	Term as KMP
Non-executive directors		
Graeme Billings	Non-executive Chair	Full financial year
Brett Burns	Non-executive Director	Full financial year
Anthony Glenning	Non-executive Director	From 3 September 2018
Executive directors		
Clayton Astles	Managing Director/Chief Executive Officer	Full financial year
Senior executives		
Brendan Maher	Chief Financial Officer, Chief Operating Officer ANZ	From 22 October 2018
Jason D'Arcy	Chief Financial Officer	Ceased 3 January 2019
Mike Read	General Manager NZ	Ceased 5 April 2019

2. Remuneration policy

The remuneration policy of the Group 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 Group's financial results.

Remuneration Report

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 Company, 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 Company are detailed below.

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Nomination & 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 targets are met and incentives are approved by the Directors. The Nomination & Remuneration Committee reviews executive packages annually by reference to the Company'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 Company'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 plan.

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's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Nomination & 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 Company. 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

a) Executive Compensation

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

Remuneration Report

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;
- 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 calibre 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 Company, the balance of this mix shifts to a higher proportion of ''at risk'' rewards.

b) 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.

Overview of company performance

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.

	2019 $'000	**2018 $'000**	**2017 $'000**	**2016 $'000**	**2015 $'000**
Revenue*	31,790	28,948	29,191	32,028	34,962
Profit/(Loss) for the year	637	1,194	(6,417)	(3,651)	1,093
Overall Earnings Per Share (cents)	0.27	0.51	(3.02)	(1.92)	0.58
Share price at year end	$0.079	$0.06	$0.08	$0.05	$0.14
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.

Voting at the Company's 2018 Annual General Meeting ("AGM")

The Company received 61.64% of 'for' votes in relation to its remuneration report for the year ended 30 June 2018.

3. Executive employment agreements

The employment conditions of the key executives are formalised in contracts of employment or service agreements. Contractual terms for most executives are similar but do, on occasions, vary to suit different needs. The following table summarises the key contractual terms for all key management personnel.

Fixed Remuneration	Remuneration comprises salary and statutory superannuation contributions where the executive is employed is Australia
Incentive Plans	Eligible to participate. Incentive criteria and award opportunities vary for each executive.
Notice Period	The Chief Executive Office has a 1-year notice period, the Chief Financial Officer at reporting date has a 3-month notice period.
Resignation	Employment may be terminated by giving notice consistent with the notice period.
Retirement	There are no financial entitlements due from the Company on retirement of an executive.
Termination by the Company	The Company may terminate the employment by providing notice consistent with the notice period or payment in lieu of the notice period.
Redundancy	There are no contractual commitments to pay redundancy over and above any statutory entitlement.
Termination for serious misconduct	The Company may terminate the employment agreement at any time without notice, and the executive will be entitled to payment of remuneration only up to the date of termination.

Remuneration Report

4. Details of directors' and key management personnel fees and remuneration

2019	**Short Term Employee Benefits**			**Share Based Payments**	**Post Employment Expenses**	**Performance Related**	
	Salaries, Fees and Commissions	**Cash Bonus**	**Other Benefit**	**Equity settled Options**	**Super-annuation**	**Total**	**%**
	$	**$**	**$**	**$**	**$**	**$**	
Directors							
Clayton Astles (v)	570,336	159,544	37,155	3,472	-	770,507	21%
Graeme Billings	80,084	-	-	-	4,916	85,000	0%
Brett Burns	66,457	-	-	-	3,543	70,000	0%
Anthony Glenning (i)	53,273	-	-	-	5,061	58,334	0%
Other key management personnel:							
Brendan Maher (ii)	209,949	37,681	-	2,604	15,003	265,237	14%
Jason D'Arcy (iii)(vi)	311,184	99,176	231,411	-	-	641,771	15%
Michael Read (iv)	111,524	-	19,426	-	7,476	138,426	0%
	1,402,807	**296,401**	**287,992**	**6,076**	**35,999**	**2,029,275**	

(i) from 3 September 2018
(ii) from 22 October 2018
(iii) to 3 January 2019
(iv) to 5 April 2019

(v) Mr Astles salary is US$380,000 which is paid in US dollars. There has been no change in his salary for the past 4 years. The movement in 2019 as compared to 2018 relates to currency changes and an increase in unused annual leave.

(vi) Mr D'Arcy's Other Benefits represent termination benefits

2018	**Short Term Employee Benefits**			**Share Based Payments**	**Post Employment Expenses**	**Performance Related**	
	Salaries, Fees and Commissions	**Cash Bonus**	**Other Benefit**	**Equity settled Options**	**Super-annuation**	**Total**	**%**
	$	**$**	**$**	**$**	**$**	**$**	
Directors							
Clayton Astles	494,330	175,708	33,315	(28,367)	-	674,986	26%
Graeme Billings	85,000	-	-	-	-	85,000	0%
Brett Burns	70,000	-	-	-	-	70,000	0%
Other key management personnel:							
Jason D'Arcy	380,261	81,484	-	(11,346)	-	450,399	18%
Michael Read	160,296	53,386	24,886	-	9,781	248,349	21%
	1,189,887	**310,578**	**58,201**	**(39,713)**	**9,781**	**1,528,734**	

Details of directors' and key management personnel fees and remuneration (continued)

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

	Cash bonus paid/payable			Cash bonus forfeited	
	2019	2018		2019	2018
Clayton Astles	60%	72%		40%	28%
Brendan Maher	71%	-		29%	-
Jason D'Arcy	50%	45%		50%	55%
Mike Read	0%	90%		100%	10%

5. Share Based Compensation

The services and performance criteria set to determine share-based compensation under the shareholder approved Employee Share Option Plan are discussed under remuneration policy in section 2 of the Remuneration Report. All options were granted by Azure Healthcare Limited over ordinary shares for Nil consideration.

The following table shows the grants of share-based compensation to directors and KMP during the year ended 30 June 2019:

Name	Series	Balance at beginning of the year	Granted during the year	Expired during the year	Exercised during the year	Balance at the end of the year
Clayton Astles	Series 2	-	1,396,276*	-	-	1,396,276*
Clayton Astles	Series 3	-	1,396,276*	-	-	1,396,276*
Brendan Maher	Series 2	-	1,047,207	-	-	1,047,207
Brendan Maher	Series 3	-	1,047,207	-	-	1,047,207
		-	**4,886,966**	**-**	**-**	**4,886,966**

* The options over ordinary shares for Mr Astles are subject to shareholder approval to be sought at the next Annual General Meeting of the Company.

The options are valued using the Black-Scholes pricing model, and are subject to the employees meeting continuity of service conditions. The model inputs for options granted during the year ended 30 June 2019 included:

Model Input	Series 2	Series 3
Grant Date	19 March 2019	19 March 2019
Expiry Date	18 March 2022	17 March 2023
Exercise Price	10 cents	13 cents
Share Price at Grant Date	5 cents	5 cents
Expected Volatility	65%	65%
Risk Free Interest Rate	3%	3%

There were no options granted as part of remuneration in the financial year ended 30 June 2018.

Details of Options over ordinary shares in the Company provided as remuneration of directors and Key Management personnel are set out below:

	2019 Number	2019 $		2018 Number	2018 $
Graeme Billings	-	-		-	-
Brett Burns	-	-		-	-
Clayton Astles	2,792,552	$3,472		-	-
Anthony Glenning	-	-		-	-
Brendan Maher	2,094,414	$2,604		-	-
Michael Read	-	-		-	-
Jason D'Arcy	-	-		-	-
	4,886,966	**$6,076**		**-**	**-**

The assessed fair value at issue date of the options granted to the executive are allocated equally over the period from issue date to vesting date and the amount is included in the remuneration tables above.

Shares issued on exercise of compensation options

No options were exercised during the year ended 30 June 2019.

Options Holdings

Number of options held by Directors and Key Management Personnel:

2019	Balance at 1 July	Granted as Compensation	Forfeited During Year	Exercised During Year	Balance at 30 June	Total Unvested
Graeme Billings	-	-	-	-	-	-
Brett Burns	-	-	-	-	-	-
Clayton Astles	5,000,000	2,792,552*	5,000,000	-	2,792,552*	2,792,552
Anthony Glenning	-	-	-	-	-	-
Brendan Maher	-	2,094,414	-	-	2,094,414	2,094,414
Michael Read	-	-	-	-	-	-
Jason D'Arcy	2,000,000	-	2,000,000	-	-	-
	7,000,000	**4,886,966**	**7,000,000**	**-**	**4,886,966**	**4,886,966**

* The options over ordinary shares for Mr Astles are subject to shareholder approval to be sought at the next Annual General Meeting of the Company.

6. Equity holdings and transactions

Number of shares held by Directors and Key Management Personnel:

	Balance 1 July 2018	Received as Compensation	Net Change Other	Balance 30 June 2019
Graeme Billings	266,667	-	-	266,667
Brett Burns	191,629	-	109,000	300,629
Clayton Astles	663,735	-	1,018,135	1,681,870
Anthony Glenning	-	-	900,000	900,000
Brendan Maher	-	-	659,824	659,824
Michael Read	16,000	-	(16,000)	-
Jason D'Arcy	2,500,000	-	(2,500,000)	-
	3,638,031	**-**	**170,959**	**3,808,990**

7. Other transactions with key management personnel

	2019 $'000	2018 $'000
Legal fees paid to CBW Partners, a firm controlled by Mr Brett Burns, for legal services rendered at rates equal to or better to CBW Partners usual commercial rates in respect of legal services provided.	10	48
Salary paid to Mrs Rachael Read, spouse of KMP Mr Mike Read, for Administrative services provided.	-	11

In FY2018, Austco Communications (NZ) Ltd (a subsidiary of Azure Healthcare Ltd) provided an interest free car loan to Mr Michael Read of $12,841. At 30 June 2018 there was $9,172 outstanding. The loan was fully repaid in September 2018.

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

Clayton Astles

Chief Executive Officer
Dated this 29th day of August 2019, Melbourne

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	Company 2019 $'000	Company 2018 $'000
Revenues	2	31,697	28,940
Other income	2	93	8
Cost of sales		(17,210)	(14,814)
Gross Profit		**14,580**	**14,134**
Employee Benefits Expense	3	(9,430)	(8,703)
Motor Vehicle Expenses		(152)	(147)
Occupancy Expenses		(455)	(589)
Depreciation and Amortisation Expenses	3	(438)	(264)
Accounting, Audit and Legal Fees		(982)	(914)
Allowance for expected credit loss		(16)	124
Finance Costs	3	(33)	(59)
Travel Expenses		(1,167)	(853)
Other Expenses		(1,820)	(1,475)
Total Overhead Expenses		(14,493)	(12,880)
Profit/(Loss) Before Income Tax		**87**	**1,254**
Income tax Benefit/(Expense)	5	550	(60)
Profit/(Loss) after income tax		637	1,194
Profit/(Loss) for the Year Attributable to Members		**637**	**1,194**
Other Comprehensive Income			
Items that may be reclassified subsequently to Profit or Loss			
Exchange difference arising on translation of foreign operations		381	173
Total comprehensive income/(loss)		1,018	1,367
Total Comprehensive Income/(loss) for the Year Attributable to Members of Azure Healthcare Limited		**1,018**	**1,367**
Earnings per share		**Cents**	**Cents**
Basic (loss)/per share	16	0.27	0.51
Diluted (loss)/per share	16	0.27	0.51

* The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	Company 2019 $'000	2018 $'000
Current Assets			
Cash and cash equivalents	6	1,945	2,307
Trade and other receivables	7	6,919	6,159
Inventories	8	6,931	6,050
Other assets	9	886	975
Total Current Assets		**16,681**	**15,491**
Non-Current Assets			
Property, plant and equipment	10	394	526
Deferred tax assets	5(c)	696	55
Intangible assets	11	1,955	742
Total Non-Current Assets		**3,045**	**1,323**
Total Assets		**19,726**	**16,814**
Current Liabilities			
Trade and other payables	12	8,035	6,020
Short term borrowings	13	277	641
Current tax liabilities		80	46
Provisions	14	782	488
Total Current Liabilities		**9,174**	**7,195**
Long term borrowings	13	-	14
Provisions	14	17	23
Total Non-Current Liabilities		**17**	**37**
Total Liabilities		**9,191**	**7,232**
Net Assets		**10,535**	**9,582**
Equity			
Issued capital	15	38,076	38,076
Option reserve	15	8	-
Foreign exchange reserve	15	(315)	(696)
Accumulated losses		(27,234)	(27,798)
Total Equity		**10,535**	**9,582**

* The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
for the year ended 30 June 2019

	Issued Capital $'000	Option Reserve $'000	Accumulated Losses $'000	Foreign Exchange Reserve $'000	Total Equity $'000
Balance at 1 July 2017	38,076	48	(28,992)	(869)	8,263
Profit/(loss) 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 owners in their capacity as owners:					
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)			(73)		(73)
Adjusted balance at 1 July 2018	**38,076**	**-**	**(27,871)**	**(696)**	**9,509**
Profit/(loss) after income tax expense for the year	-	-	637	-	637
Other comprehensive income for the year, net of tax	-	-	-	381	381
Total comprehensive income for the year	-	-	637	381	1,018
Transactions with owners in their capacity as owners:					
Transfer to/from reserves	-	8	-	-	8
Balance at 30 June 2019	**38,076**	**8**	**(27,234)**	**(315)**	**10,535**

* The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
for the year ended 30 June 2019

	Notes	Company 2019 $'000	2018 $'000
Cash Flows from Operating Activities			
Receipts from Customers (inclusive of GST)		**30,943**	27,796
Payments to Suppliers and Employees (inclusive of GST)		**(29,431)**	(25,705)
Interest Received		**4**	1
Finance Costs		**(33)**	(59)
Income Tax Paid		**(63)**	(2)
Net Cash From/(used) by Operating Activities	21	**1,420**	2,031
Cash Flows from Investing Activities			
Payments for Acquisition of Property, Plant, Equipment & Intangible Assets		**(1,339)**	(889)
Proceeds from Disposal of Property, Plant, Equipment & Intangible Assets		**-**	9
Net Cash From/(used) in Investing Activities		**(1,339)**	(880)
Cash Flows from Financing Activities			
Repayment of borrowings		**(378)**	(495)
Net Cash Provided/(used) by Financing Activities		**(378)**	(495)
Net Increase in Cash and Cash Equivalents		**(297)**	656
Cash and Cash Equivalents at Beginning of the Year		**2,307**	1,717
Effects of exchange rate changes on cash		**(65)**	(66)
Cash and Cash Equivalents at End of the Year	6	**1,945**	2,307

* The accompanying notes form part of these financial statements

GENERAL INFORMATION

The consolidated financial statements of Azure Healthcare Limited and controlled entities (collectively, the Group or the Company) were authorised for issue in accordance with a resolution of the directors on 28 August 2019. Azure Healthcare Limited is a for profit public Company listed on the ASX, incorporated and domiciled in Australia. The principle activities of the business are the manufacture, service, supply and distribution of Healthcare and communications equipment and software.

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 is appropriate for profit oriented entities.

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

New Accounting Standards adopted by the Group

The Group applies, for the first time, AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments.

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 a significant impact on the timing of revenue recognition;

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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.

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: At the point in time the licence is made available to the customer Period Licence: Over licence period. AASB 15 does not impact revenue recognition
Warranty's	No revenue recognised as only assurance type warranties that are covered by AASB 137	No revenue recognised as there are only assurance type warranties that are covered by AASB 137. AASB 15 does not impact revenue recognition

SMA's	AASB 118 (FY18)	AASB 15 (FY19)
Type 1 Billed Monthly	Revenue recognised monthly	Revenue recognised monthly. AASB 15 does not impact revenue recognition
Type 2 Invoiced at the beginning of the maintenance period	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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (presented under trade and other payables) that was recognised in FY 2018 under previous accounting standards. All of this adjustment has been recognised as revenue in the consolidated 30 June 2019 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, all of which has been recognised as revenue to 30 June 2019. Trade and other payables includes deferred revenue (Contract Liabilities) of $901k as at 30 June 2019.

Presentation and disclosure requirements

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.

Going Concern

The consolidated entity reported a profit after tax of $0.64m (2018: $1.19m), has had cash inflows from operating and investing activities of $0.81m (2018: $1.15m) for the year ended 30 June 2019 and cash and cash equivalents at 30 June 2018 was $1.95m (2018: $2.31m). Included in current borrowings at note 13 is an amount owing of $0.28m (2018: $0.64m).

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

Based on the cash flow forecasts prepared, the directors are of the opinion that the consolidated entity is well positioned to meet its objectives and obligations going forward and therefore that the basis upon which the financial statements are prepared is appropriate in the circumstances.

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. Impaired assets are all measured at cost in these Financial Statements. 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.
The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

INTANGIBLE ASSETS

The Company capitalises costs for product development projects as a part of its annual intangible asset assessment. 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 30 June 2019, the carrying amount of capitalised development costs was $1,955,038. (2018: $741,676)

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The Company assesses expected credit loss regularly. The allowance for expected credit loss represents management's estimate of the Company's credit loss risk as at 30 June 2019 based on age of debt, past experience, current information at hand and management's assessment of forward-looking factors specific to the debtors and the economic environment and subsequent collectability. At 30 June 2019, the allowances for doubtful debts was $16,271 (2018: nil).

ALLOWANCE FOR WARRANTY PROVISION

The Company has a policy in relation to return of products and claims for warranty purposes which can be found here: http://www.austco.com/legal/. The company has made an allowance for future warranty claims based on historical claims experience and management's estimate of the Company's potential claims as at 30 June 2019. At 30 June 2019, the allowance for warranty provision was $210,216 (2018: $64,454).

SHARE BASED PAYMENTS

Share based payments are accounted for at fair value using the Black-Scholes model, see Note 17 for the underlying assumptions used and further discussion.

ESTIMATION OF USEFUL LIVES OF ASSETS

The Company 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.

RECOGNITION OF DEFERRED TAX ASSET

The Company has carried forward tax losses available to offset future tax obligations in a number of tax jurisdictions. In those jurisdictions with carried forward losses where there is a track record of sustained taxable profits, and an outlook of expected future taxable profits, the company recognises a Deferred Tax Asset. In the year to 30 June 2019 the Company recognised $600,000 of Deferred Tax Assets as outlined in Note 5.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Azure Healthcare Limited ('Parent Entity') as at 30 June 2019 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 'Company'.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the Company 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 Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Company 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 Company.

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 Company 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 Company 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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Business combinations (continued)

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 except in separate financial statements where transaction costs should be capitalised.

(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.

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 bargain on acquisition.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income Tax (continued)

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, a group allocation approach, under which the current and deferred tax amounts for the tax consolidated group are allocated among each entity in the group. 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 Austco Communication Systems Pty Ltd and Sedco Communications Pty Ltd. Azure Healthcare Limited's overseas subsidiaries are not part of its tax consolidated group as they have been incorporated overseas and are not Australian resident taxpayers.

(e) Financial Assets and Liabilities

(e) (i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 1 (m) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) (i) Financial assets **(continued)**

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have debt instruments at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) (i) Financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been an increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(e) (ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) (ii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 13.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(e) (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(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, freight and labour.

(g) 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 Company, 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 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 on a straight line basis over the lease term.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, Plant and Equipment

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

DEPRECIATION

The depreciable amount of all fixed assets including capitalised leased assets are depreciated on a straight line basis over their useful lives to the Company 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.

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.

(i) Intangibles

GOODWILL

Goodwill is 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. Goodwill is 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

Where the criteria to capitalise costs in relation to internally generated intangible assets is not met, expenditure on research activities is recognised as an expense in the period in which it is 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 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 6 and 8 years.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign Currency Transactions and Balances

FOREIGN CURRENCY

The individual financial statements of each 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 Company'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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 is 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 is 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.

If equity awards are made subject to future shareholder approval, fair value is estimated at the time of the award and remeasured upon shareholder approval.

(l) Cash and Cash Equivalents

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue

Prior to the adoption of AASB 15, revenue from the rendering of a service is recognised upon the delivery of the service to the customer. Revenue from the sale of inventory is recognised when substantially all the risks and rewards of ownership have passed to the buyer. Revenue from contracts which span multiple periods where the outcome of a contract to provide installation can be reliably measured, 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.

(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 Company reviews the carrying amounts of its fixed 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 prevailing share price.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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, unless otherwise stated.

(u) 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 Company for the annual reporting period ended 30 June 2019. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 16 Leases (AASB 16)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e. leases with an original lease term of less than 12 months). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (the lease liability) and an asset representing the right to use the underlying asset during the lease term (the right of use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset. Lessor accounting will be substantially unchanged from current accounting.

The Company will adopt the standard effective 1 July 2019.

The impact of the application of the new Standard is currently being assessed. The Company has identified premises and equipment lease contracts that will be impacted by the new Standard, and is in the process of finalising key estimates and detailed lease schedules to quantify the financial impact.

The Company has elected to adopt the modified retrospective approach upon transition which will mean:

- no adjustment is required for leases that conclude prior to the 1 July 2019 adoption of the standard;
- no restatement of prior period comparatives are required; and
- any cumulative differences are adjusted to opening retained earnings at 1 July 2019.

NOTE 2: REVENUE FOR THE YEAR

	2019 $'000	2018 $'000
Continuing Operations		
Revenue from contracts with customers	**31,697**	**28,940**
Other income		
- Interest Received	4	1
- Other Income	6	31
- Foreign Exchange Gain/(loss)	83	(24)
	93	**8**
Total Revenue	**31,790**	**28,948**

Revenue from Contracts with Customers, 12 months to June 2019	**Equipment**	**Installation**	**Software/SMA**	**Total**
Type of Good or Service	**$000**	**$000**	**$000**	**$000**
Sale of equipment	22,939	-	-	22,939
Installation services	-	5,263	-	5,263
Software & Maint. Agreements	-	-	3,495	3,495
Total	**22,939**	**5,263**	**3,495**	**31,697**
Geographical Markets				
Australia/New Zealand	10,110	807	888	11,805
North America	7,465	3,721	1,928	13,113
Europe	1,888	549	167	2,603
Asia	3,477	187	512	4,176
Total	**22,939**	**5,263**	**3,495**	**31,697**
Timing of revenue recognition				
Goods transferred at a point in time	22,939	-	2,135	25,074
Services transferred over time	-	5,263	1,360	6,623
Total	**22,939**	**5,263**	**3,495**	**31,697**

NOTE 2: REVENUE FOR THE YEAR (continued)

Revenue for the 12 months to June 2018	Equipment	Installation	Software/SMA	Total
Type of Good or Service	**$000**	**$000**	**$000**	**$000**
Sale of equipment	20,888	-	-	20,888
Installation services	-	4,907	-	4,907
Software & Maint. Agreements	-	-	3,145	3,145
Total	20,888	4,907	3,145	28,940
Geographical Markets				
Australia/New Zealand	9,432	322	993	10,748
North America	6,981	3,962	1,431	12,374
Europe	1,688	478	107	2,273
Asia	2,787	145	614	3,545
Total	20,888	4,907	3,145	28,940
Timing of revenue recognition				
Goods transferred at a point in time	20,888	-	2,087	22,975
Services transferred over time	-	4,907	1,058	5,965
Total	20,888	4,907	3,145	28,940

On adoption of AASB 15 (see note 1), 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.

Set out below is the amount of revenue recognised from:

	2019 **$'000**	**2018** **$'000**
Amounts included in contract liabilities at the beginning of the year or partially satisfied in previous year	193	-
Performance obligations satisfied in previous years	-	-

Performance Obligations

Sale of equipment
The performance obligation is satisfied upon delivery of equipment, with revenue recognised in accordance with note 1.

Installation services
The performance obligation is satisfied upon practical completion, with revenue recognised in accordance with note 1.

Software & Maintenance Agreements
The performance obligation is satisfied during the term of the agreement, with revenue recognised in accordance with note 1.

NOTE 3: EXPENSES FOR THE YEAR

	2019 $'000	2018 $'000
Finance Costs		
- interest expense	33	59
Depreciation and Amortisation of Non Current Assets		
- plant and equipment	244	252
- amortisation of development costs	194	12
	438	**264**
- Loss on Disposal	28	7
	466	**271**
Foreign currency translation gain/(loss)	83	(24)
Rental Expenses on Operating Leases		
- minimum lease payments	455	589
Employee Expenses		
Direct Labour Wages (included in Cost of Sales)	390	327
Other employees' wages and benefits expense	9,171	8,519
Superannuation contributions	260	232
Share based payment (reversal)	8	(48)
Total Employee Expenses excluding direct labour	9,430	8,703
Research and development expenditure before Capitalisation	3,579	3,440
Capitalisation of development costs	(1,190)	(742)
Net research and development expense	2,389	2,698
Increase in warranty provision	254	64
Increase in inventory provision	159	9
Increase (decrease) in expected credit loss provision	16	(124)

NOTE 4: 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. The group focuses on providing electronic communications in healthcare and development of nurse call and care management systems for hospitals and the aged care market. The group is 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 previous years.

(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 Company’s financial statements. Corporate charges are allocated to reporting segments based on the segments’ overall proportion of revenue generation within the Company. 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 and accounts 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 Company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Impairment of assets and other non recurring items of revenue or expense;
- Income tax expense, Current tax liabilities, and Deferred tax assets and liabilities;
- Other financial liabilities, Intangible assets and Discontinued operations.

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. 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.

NOTE 4: SEGMENT REPORTING (CONTINUED)

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 Company. These transfers are eliminated on consolidation.

Revenue earned from external customers in Australia (the Company's country of domicile) for the year ended 30 June 2019 is $6,557k (2018: $7,099k).

						Eliminations		
	Aust & NZ $'000	Asia $'000	Europe $'000	North America $'000	Total $'000	Inter Company $'000	Corporate $'000	Company Total $'000
				2019				
Revenue – external	11,712	4,205	2,586	13,283	31,786	-		31,786
Revenue – intersegment	195	5	10	8,082	8,292	(8,292)	-	-
Interest Revenue	58	0	0	-	58	(54)	-	4
Total Revenue	11,965	4,210	2,596	21,365	40,136	(8,346)	-	31,790
Adj EBITDA	1,491	7	38	(944)	592	308	(343)	558
Depreciation	(45)	(13)	(10)	(176)	(244)	-	-	(244)
Amortisation	-	-	-	(194)	(194)	-		(194)
EBIT	1,446	(5)	28	(1,314)	155	308	(343)	120
Interest Expense	-	-	-	(57)	(57)	57	(33)	(33)
Income Tax	590	-	(9)	(9)	572	-	(22)	550
NPAT	2,036	(5)	19	(1,380)	669	365	(398)	637
				2018				
Revenue – external	10,773	3,568	2,268	12,338	28,947	-	-	28,947
Revenue – intersegment	325	5	1	5,634	5,965	(5,965)	-	-
Interest Revenue	53	0	0	-	53	(52)	-	1
Total Revenue	**11,151**	**3,573**	**2,269**	**17,972**	**34,965**	**(6,017)**	**-**	**28,948**
Adj EBITDA	2,482	(165)	310	(1,432)	1,195	589	(207)	1,577
Depreciation	(56)	(17)	(20)	(159)	(252)	-	-	(252)
Amortisation	-	-	-	(12)	(12)			(12)
EBIT	**2,426**	**(182)**	**290**	**(1,603)**	**931**	**589**	**(207)**	**1,313**
Interest Expense	-	-	-	(52)	(52)	51	(58)	(59)
Income Tax	-	-	(58)	(2)	(60)	-	-	(60)
NPAT	2,426	(182)	232	(1,657)	819	640	(265)	1,194
Segment Assets								
30/06/2018	22,215	1,762	1,345	10,060	35,382	(27,591)	9,023	16,814
30/06/2019	23,187	1,738	1,189	11,602	37,716	(26,246)	8,256	19,726
Segment Liabilities								
30/06/2018	5,584	1,464	509	18,127	25,684	(19,074)	622	7,232
30/06/2019	3,681	1,432	544	21,355	27,012	(18,064)	243	9,191

NOTE 5: INCOME TAX EXPENSE

	2019 $'000	2018 $'000
(a) Income Tax Recognised in Profit or Loss		
Current tax expense	50	60
Recognition of Deferred Tax (Asset)	(600)	-
Prior year under / over	-	-
Total Income Tax Expense / (Benefit)	**(550)**	**60**

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/(loss) from continuing operations	87	1,254
Income tax expense calculated at 27.5% (2018: 30%)	24	376
Non-deductible expenses	4	1
Other	(6)	(3)
Effect of different tax rates of subsidiaries operating in other jurisdictions	83	57
Utilisation of unrecognised tax losses	231	370
Utilisation of prior year losses and R&D offsets where no DTA is recognised	(286)	(188)
Carry forward R&D Offsets not recognised/(utilised)	-	(553)
	50	60
Recognition of DTA on R&D offsets	600	-
Total Income Tax (Benefit) / Expense	(550)	60

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by the Company on taxable profits under Australian tax law. Overseas jurisdictions have differing corporate tax rates.

(b) Company Tax Carry Forward Losses and Tax Credit Offsets

The following summarises the Company's carry forward tax losses and tax credit offsets, some of which have been recognised as an Asset, and others which have not been recognised but are available:

		As at 30 June 2019	
Region	**Deferred Tax Asset Recognised for Tax Offset Credits $'000**	**Gross Unrecognised Carry Forward Tax Losses $'000**	**Unrecognised Deferred Tax Asset for Tax Offset Credits $'000**
Australia	600	-	1,070
Canada	-	2,717	-
New Zealand	-	-	-
Singapore	-	819	-
UK	-	-	-
US	-	7,255	405
TOTAL	600	**10,791**	**1,475**

NOTE 5: INCOME TAX EXPENSE (CONTINUED)

	2019 $'000	2018 $'000
(c) Deferred Tax Balances		
Deferred tax assets comprise temporary differences arising from the following:		
Provisions	119	50
Accruals	103	135
Carried forward Tax Losses	600	-
Non refundable tax offsets	188	188
	1,010	**373**
Deferred tax liabilities comprise temporary differences arising from the following:		
Other	(314)	(318)
Net deferred tax asset	**696**	**55**

NOTE 6: CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Current		
Cash at bank and in hand	1,945	2,307
	1,945	**2,307**

NOTE 7: TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Current		
Trade receivables	6,935	6,159
Less: Allowance for expected credit losses	(16)	-
	6,919	**6,159**

Receivables past due but not impaired

The consolidated entity did not consider a significant 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 2019	
Company	**Gross $'000**	**Expected Credit Loss $'000**	**Net Receivables $'000**
0 - 30 days	5,484	-	5,484
30 - 60 days	686	-	686
60 - 90 days	208	-	208
Over 90 days	528	(16)	512
Retentions	29	-	29
Closing Balance	**6,935**	**(16)**	**6,919**

		As at 30 June 2018	
Company	**Gross $'000**	**Allowance $'000**	**Net Receivables $'000**
0 - 30 days	5,237	-	5,237
30 - 60 days	387	-	387
60 - 90 days	245	-	245
Over 90 days	290	-	290
Retentions	-	-	-
Closing Balance	**6,159**	**-**	**6,159**

Allowance for Expected Credit Losses

	2019 $'000	2018 $'000
Opening balance	-	124
Additional provision	16	-
Amounts recovered	-	(124)
Closing Balance	**16**	**-**

The Company assesses outstanding receivables in each region on a monthly basis and creates specific allowances for expected credit losses based on management's estimate of the Company's credit loss risk based on age of debt, past experience, current information at hand, adjusted for forward-looking factors specific to the debtors and the economic environment. At 30 June 2019, the allowances for expected credit loss was $16,271 (2018: nil).

NOTE 8: INVENTORIES

	2019 $'000	2018 $'000
Current		
Finished goods on hand - at cost	3,096	2,525
Finished goods provision	(314)	(215)
Finished goods on hand at recoverable amount	2,782	2,310
Raw materials on hand – at cost	4,293	3,606
Raw materials provision	(145)	(86)
Raw materials on hand at recoverable amount	4,148	3,520
Work in progress	1	220
Total Inventory carrying amount at end of year	**6,931**	**6,050**

The amount of inventories recognised as an expense during the period is $12.13m (2018: $10.65m).

The Company reviews the condition of its inventories and makes provision against obsolete and slow moving inventory items. An inventory item or product line is deemed obsolete if there have been no external sales of that product or item in any region for a period of 24 months prior to the balance date. In this situation all of the inventory for that product or part code will be provided for as obsolete inventory.

NOTE 9: OTHER ASSETS

	2019 $'000	2018 $'000
Current		
Prepayments	727	475
Contract assets	81	-
Other	78	500
	886	**975**

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Plant and Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost at 1 July 2018	258	828	77	183	1,515	2,861
Foreign Exchange Difference	14	19	3	8	76	120
Additions	-	10	-	18	99	127
Disposal	(77)	(20)	-	-	(181)	(278)
Cost at 30 June 2019	**195**	**837**	**80**	**209**	**1,509**	**2,830**
Accumulated Depreciation at 1 July 2018	232	718	43	135	1,207	2335
Foreign Exchange Difference	13	15	2	6	71	107
Additions	27	45	10	19	143	244
Disposal	(77)	(19)	-	-	(154)	(250)
Accumulated Depreciation at 30 June 2019	**195**	**759**	**55**	**160**	**1,267**	**2,436**
Net Book Value at 30 June 2018	**27**	**110**	**34**	**48**	**307**	**526**
Net Book Value at 30 June 2019	**-**	**78**	**25**	**49**	**242**	**394**

NOTE 11: INTANGIBLE ASSETS

	2019 $'000	2018 $'000
Product development	4,508	3,121
Less: accumulated amortisation	(2,553)	(2,379)
Total Intangibles	**1,955**	**742**

Movement in Carrying Amounts	2019 $'000	2018 $'000
Balance at beginning	742	-
Additions	1,346	776
Foreign exchange variation	62	(22)
Amortisation	(194)	(12)
Balance at end	**1,955**	**742**

NOTE 12: TRADE AND OTHER PAYABLES

Current	2019 $'000	2018 $'000
Trade and other payables	5,386	4,322
Income in advance	901	193
Indirect taxes payable	1,748	1,505
	8,035	**6,020**

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

NOTE 13: BORROWINGS

	2019 $'000	2018 $'000
Current		
Other current liabilities	46	28
Non secured debt	118	-
Fully Drawn Advance	113	613
	277	**641**
Non current		
Non current vehicle liability	-	14
	-	**14**

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. The Company's Fully Drawn Advance with the ANZ Bank is due for repayment by September 2019. See Note 26 for more information on post balance date events in relation to this facility

Non secured debt relates to Insurance Premium Funding of the Company's annual insurance renewal program.

NOTE 14: PROVISIONS

	2019 $'000	2018 $'000
Current		
Employee Entitlements	572	424
Warranty Allowance	210	64
	782	**488**
Non current		
Employee entitlements	17	23
	17	**23**

(a) Movement in Current Provisions

2019	Employee Entitlements $'000	Warranty Allowance $'000	Total $'000
Carrying amount at 1 July 2018	424	64	488
Additional provisions	563	254	817
Amounts incurred and or charged against provision	(415)	(108)	(523)
Carrying amount at 30 June 2019	**572**	**210**	**782**

(b) Movement in Non Current Provisions

2019	Employee Entitlements $'000	Total $'000
Carrying amount at 1 July 2018	23	23
Additional provisions	7	7
Amounts incurred and or charged against provision	(13)	(13)
Carrying amount at 30 June 2019	**17**	**17**

NOTE 15: ISSUED CAPITAL AND OPTION RESERVE

	Note	2019 $'000	2018 $'000
Ordinary shares fully paid	15(a)	38,076	38,076
		38,076	**38,076**

(a) Movement in Ordinary Shares on Issue

2019	No. of shares	$'000
At the beginning of the reporting period:	**232,712,827**	**38,076**
At Reporting Date	**232,712,827**	**38,076**

2018	No. of shares	$'000
At the beginning of the reporting period:	**232,712,827**	**38,076**
At Reporting Date	**232,712,827**	**38,076**

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

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 and Option Reserve

	Note	2019 No. of options	2019 $'000	2018 No. of options	2018 $'000
At the beginning of the reporting period:		8,200,000	-	8,200,000	48
Options exercised during the year		-	-	-	-
Options forfeited during the year		(7,000,000)	-	-	-
Options issued during the year (i)		6,632,306	-	-	-
Transfer to accumulated losses		-	-	-	-
Share based payment expense		-	8	-	(48)
At Reporting Date		**7,832,306**	**8**	**8,200,000**	**-**

(i) Some 2,792,552 options are subject to shareholder approval prior to issue, which will be sought at the Company's next AGM

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.

NOTE 15: ISSUED CAPITAL AND OPTION RESERVE (CONTINUED)

(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 17.

(d) Capital Management

Management controls the capital of the Company to provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern. The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.
Management effectively manages the Company's capital by assessing the Company'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.

	2019	2018
	$'000	$'000
Total borrowings	277	678
Less cash and cash equivalents	(1,945)	(2,307)
Net (Cash)/Debt	**(1,668)**	**(1,629)**
Total equity	10,535	9,582
Total capital	**8,867**	**7,953**
Gearing Ratio	-	-

(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 16: EARNINGS PER SHARE

	2019	2018
	$'000	$'000
Overall operations		
Profit/(Loss) for the year attributable to members of Azure Healthcare Limited	637	1,194
	No.	**No.**
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	232,712,827	232,712,827
Effect of dilutive share options	2,234,663	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive earnings per share	234,947,490	232,712,827
Overall Earnings per share		
Basic earnings per share (cents per share)	0.27	0.51
Diluted earnings per share (cents per share)	0.27	0.51

NOTE 17: SHARE BASED PAYMENTS

The Company established its 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 a premium to the share price at grant date. Options have a vesting period ranging between two and three years, with continuity of employment a condition up to vesting date.

The Black-Scholes valuation model inputs used to determine fair value at grant date are as follows:

Series name	Grant Date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk free interest rate	Fair value at grant date
Series 1	1 Aug 2015	30 Jul 2020	$0.17	$0.182	85%	Nil	2.2%	$0.093
Series 2	19 Mar 2019	18 Mar 2022	$0.05	$0.10	65%	Nil	3.0%	$0.01
Series 3	19 Mar 2019	17 Mar 2023	$0.05	$0.13	65%	Nil	3.0%	$0.01

The expected volatility assumptions used were based on historical volatility.

All options granted to employees (including Key Management Personnel) are over ordinary shares in Azure Healthcare Limited and confer a right to one ordinary share for every option held. A summary of the Options Issued and Options to be issued subject to shareholder approval, outstanding at 30 June 2019 is:

Options Issued	Grant date	Expiry date	Exercise price	#
Series 1	3 August 2015	30 July 2020	$0.182	1,200,000
Series 2	19 March 2019	18 March 2022	$0.10	1,919,877
Series 3	19 March 2019	17 March 2023	$0.13	1,919,877
			Sub Total	5,039,754
Options to be issued subject to shareholder approval				
Series 2	19 March 2019	18 March 2022	$0.10	1,396,276
Series 3	19 March 2019	17 March 2023	$0.13	1,396,276
			Total	7,832,306

Vesting conditions for the options are the following:

Series 1

- 3 years from the grant date; and
- operating profit result after tax is a 50% increase on the 2015 financial year; or
- 338% improvement in net profit after tax for the 36 month period from grant date

The probability of Series 1 options vesting has been assessed as 0% (2018: 0%).

Series 2

- 2 years from the grant date; and
- Conditional on remaining employed by the Company

The probability of Series 2 options vesting has been assessed as 100%.

Series 3

- 3 years from the grant date; and
- Conditional on remaining employed by the Company

The probability of Series 3 options vesting has been assessed as 100%.

NOTE 17: SHARE BASED PAYMENTS (continued)

	Note	2019 Number of Options	2019 Weighted Average Exercise Price $	2018 Number of Options	2018 Weighted Average Exercise Price $
Outstanding at the beginning of the year		8,200,000	0.182	8,200,000	0.182
Exercised	15	-	-	-	-
Granted	15	6,632,306	0.115	-	-
Forfeited	15	(7,000,000)	-	-	-
Outstanding at year end		7,832,306	0.125	8,200,000	0.182
Exercisable at year end		-	-	-	-

The options outstanding at 30 June 2019 have a weighted average exercise price of 12.5 cents and an average remaining contractual life of 2.51 years.

NOTE 18: DIVIDENDS AND FRANKING CREDITS

	2019 $'000	2018 $'000
Amount of franking credits available for subsequent reporting periods:		
- franking account balance as at the end of the financial year at 27.5% (2018: 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**

NOTE 19: CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments in Respect of Rented Properties

Non cancellable operating leases contracted but not capitalised in the financial statements, excluding any extension options:

	2019 $'000	2018 $'000
- not longer than one year	343	294
- longer than one year but not longer than five years	897	282
Total Operating Lease Commitments	**1,240**	**576**

(b) Operating Lease Commitments in Respect of Motor Vehicles and Office Equipment

Non cancellable operating leases contracted but not capitalised in the financial statements, excluding any extension options

	2019 $'000	2018 $'000
- not longer than one year	58	47
- longer than one year but not longer than five years	76	50
Total Operating Lease Commitments	**134**	**97**

NOTE 20: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%) 2019	 2018
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 21: CASH FLOW INFORMATION

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

	2019 $'000	2018 $'000
(Loss)/Profit after income tax	637	1,194
Non Cash Flows in profit or loss		
Depreciation and amortisation	438	264
Loss on disposal of property, plant and equipment	28	7
Share based payments expense	8	48
Net foreign exchange difference	41	24
Non Cash Flows in profit or loss	515	343
Changes in Assets and Liabilities		
Decrease/(Increase) in trade and other receivables	(636)	(1,173)
Decrease/(Increase) in prepayments and other assets	89	(200)
Decrease/(Increase) in inventories	(881)	3,207
Decrease/(Increase) in deferred tax assets	(637)	7
Increase/(Decrease) in trade and other creditors	2,015	(1,158)
Increase/(Decrease in provisions	288	(197)
Increase/(Decrease) in income taxes payable	34	17
Increase/(Decrease) in deferred tax liabilities	(4)	(9)
	268	494
Net Cash Used in Operating Activities	**1,420**	**2,031**

(b) Credit Standby Arrangements with Banks

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

Bank Facilities

Bank 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.

	2019 $'000	2018 $'000
Secured Bank Loan Facility		
- amount used	113	613
- amount unused	-	-
	113	**613**
Unsecured Bank Loan Facility		
- amount used	118	-
- amount unused	-	-
	118	**-**
Total Bank Facilities	**231**	**613**

NOTE 22: 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
Mr Michael Read	General Manager New Zealand
Mr Graeme Billings	Non Executive Chairman
Mr Brett Burns	Non Executive Director
Mr Anthony Glenning	Non Executive Director
Mr Brendan Maher	Chief Financial Officer and Company Secretary
Mr Jason D'Arcy	Chief Financial Officer and Company Secretary

	2019 $	2018 $
Summary		
Short term employee benefits	1,987,200	1,558,666
Post employment benefits	35,999	9,781
Share Based Payments	6,076	(39,713)
	2,029,275	**1,528,734**

NOTE 23: 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.

Remuneration of Key Management Personnel are disclosed in Note 22 and the Remuneration Report.

Transactions with related parties:

	2019 $'000	2018 $'000
Legal fees paid to CBW Partners, a firm controlled by Mr Brett Burns, for legal services rendered at rates equal to or better to CBW Partners usual commercial rates in respect of legal services provided.	10	48
Salary paid to Mrs Rachael Read, spouse of KMP Mr Mike Read, for Administrative services provided.	-	11
In FY2018, Austco Communications (NZ) Ltd (a subsidiary of Azure Healthcare Ltd) provided an interest free car loan to Mr Michael Read of $12,841. At 30 June 2018 there was $9,172 outstanding. The loan was fully repaid in September 2018.		

NOTE 24: FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise receivables, payables, bank loans and overdraft, cash and short term deposits. These expose the Company 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 Company. This monthly analysis and review considers the Company'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 Company's risk profile.

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

Interest Rate Risk

The Company'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:

	Weighted average interest rate	Floating interest rate	Non interest bearing		Fixed Interest Rate	
			1 year or less	1 to 5 years	1 year or less	Total
		$'000	$'000	$'000	$'000	$'000
			2019			
Financial Assets						
Cash and cash equivalents	0.17%	1,945	-	-	-	1,945
Trade and other receivables	-	-	6,919	-	-	6,919
Total		**1,945**	**6,919**	**-**	**-**	**8,864**
Financial Liabilities						
Trade and other payables	-	-	7,134	-	-	7,134
Bank loans	7.54%	273	-	-	-	273
Other current liabilities	6.39%	4	-	-	-	4
Total		**277**	**7,134**	**-**	**-**	**7,411**

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUTED)

Interest Rate Risk (Continued)

	Weighted average interest rate	Floating interest rate	Non interest bearing		Fixed Interest Rate	Total
			1 year or less	1 to 5 years	1 year or less	
		$'000	$'000	$'000	$'000	$'000
			2018			
Financial Assets						
Cash and cash equivalents	0.52%	2,307	-	-	-	2,307
Trade and other receivables	-	-	6,159	-	-	6,159
Total		**2,307**	**6,159**	**-**	**-**	**8,466**
Financial Liabilities						
Trade and other payables	-	-	5,827	-	-	5,827
Bank loans	6.69%	613	-	-	-	613
Other current liabilities			28	-	-	28
Total		**613**	**5,855**	**-**	**-**	**6,468**

At 30 June 2019 the Company 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. A movement of + and – 10% is selected because a review of recent exchange rate movements and economic data suggests this range is reasonable

	Cash and Cash Equivalents Higher/(Lower)		Short term liabilities Higher/(Lower)	
	2019	2018	2019	2018
Interest	$'000	$'000	$'000	$'000
+10%	-	1	2	4
-10%	(-)	(1)	(2)	(4)

Risk Exposure and Responses

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

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUTED)

Currency risk

		2019	2018
Financial Assets		**$'000**	**$'000**
Current assets (inc. cash and trade receivables)	USD	2,637	2,211
	NZD	721	1,215
	CAN	1,955	1,179
	GBP	853	458
	SGD	1,031	1,022
Financial Liabilities			
Current liabilities (inc. trade and other payables)	USD	6,088	2,326
	NZD	166	1,232
	CAN	1,111	863
	GBP	337	239
	SGD	1,110	1,020

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.

Sensitivity Analysis

The Company 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:

	Post Tax Loss Higher/(Lower)		Equity Higher/(Lower)	
	2019	2018	2019	2018
Company	**$'000**	**$'000**	**$'000**	**$'000**
AUD/USD +10%	(163)	(68)	(595)	(462)
AUD/USD -10%	163	68	595	462
AUD/NZD +10%	81	2	160	135
AUD/NZD -10%	(81)	(2)	(160)	(135)
AUD/CAN +10%	7	(30)	(255)	(171)
AUD/CAN -10%	(7)	30	255	171
AUD/GBP +10%	27	56	65	84
AUD/GBP -10%	(27)	(56)	(65)	(84)
AUD/SGD +10%	20	41	30	30
AUD/SGD -10%	(20)	(41)	(30)	(30)

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.

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUTED)

Credit Risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. It is the Company'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 Company's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

Price Risk

The Company's exposure to raw material commodities and equity securities price risk is minimal.

Liquidity Risk

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

Remaining contractual maturities

The following tables detail the Company'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.

	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
			2019			
Non interest bearing						
Trade and other payables		7,134	-	-	-	7,134
Other current liabilities	6.39%	4	-	-	-	4
Interest bearing						
Bank loan	7.54%	273	-	-	-	273
Total		**7,411**	**-**	**-**	**-**	**7,411**

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUTED)

Liquidity Risk (Continued)

	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
			2018			
Non interest bearing						
Trade and other payables		5,827	-	-	-	5,827
Other current liabilities	0%	28	-	-	-	28
Interest bearing						
Bank loan	6.69%	613	-	-	-	613
Total		**6,468**	**-**	**-**	**-**	**6,468**

NOTE 25: AUDITORS REMUNERATION

	2019	2018
Audit or Review of Financial Reports	**$**	**$**
- Ernst & Young Australia	121,141	113,600
- Ernst & Young related practices	105,690	58,200
- BDO International[1]	10,587	-
- BDO East Coast Partnership	-	69,190
Total remuneration for audit services	237,418	240,990
Tax Compliance Services		
- Ernst & Young Tax Services	154,608	184,329
- PKF International (Singapore)	-	4,630
Total remuneration for tax services	154,608	188,959
Total Remuneration	**392,026**	**429,949**

BDO were auditors of the Group for the Half Year ended 31 December 2017.

[1] Cost incurred during the 2019 fiscal year was related to the transfer of audit files from BDO to Ernst & Young.

NOTE 26: EVENTS AFTER THE REPORTING DATE

No matters or circumstances, other than those listed below, 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 Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

In July 2019 the Company refinanced its secured banking facility and entered into a new shadow debtor financing facility with a new financier with a facility limit of $1.25m. As part of the refinancing, the existing facility debt of $113k was taken over by the new financier and the security (being a registered mortgage debenture over all assets and undertakings of Azure Healthcare Limited and its related entities) was also transferred.

NOTE 27: CONTINGENT LIABILITIES AND ASSETS

Outstanding Bank Guarantees

Outstanding bank guarantees held as at 30 June 2019 amounted to $18,838 (2018: $18,838), being a financial guarantee relating to the lease of the registered office at 1/31 Sabre Drive, Port Melbourne.

NOTE 28: PARENT ENTITY INFORMATION

The following information related to the parent entity, Azure Healthcare Limited as at 30 June 2019. This information has been prepared using consistent accounting policies as presented in Note 1.

	Parent Entity	
	2019	**2018**
	$'000	**$'000**
Current assets	2,338	3,085
Non current assets	5,917	5,938
Total Assets	**8,255**	**9,023**
Current liabilities	(243)	(621)
Non current liabilities	-	-
Total Liabilities	**(243)**	**(621)**
Net Assets	**8,012**	**8,402**
Issued Capital	38,076	38,076
Accumulated losses	(30,072)	(29,674)
Option Reserve	8	-
Total Equity	**8,012**	**8,402**
Loss for the year	(397)	(265)
Total comprehensive income for the year	**(397)**	**(265)**

Contingent Liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

The Directors of Azure Healthcare Limited declare that:

(a) in the Directors' opinion the financial report as set out on pages 3 to 63 and remuneration report as set out on pages 12 to 19, 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 2019 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 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 2019, 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 29th day of August 2019, Melbourne

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Azure Healthcare Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group generated $31.9 million in revenue from its global operations for the year ended 30 June 2018. Revenue recognition was considered a key audit matter as it represents a key measurement of the Group's performance and the Group provides a number of different products and services to customers which have different revenue recognition profiles. The Group was required to consider the requirements of Australian Accounting Standard AASB 15 *Revenue from Contracts with Customers* with respect to its revenue streams as this standard became applicable for the first time this financial year. Notes 1 and 2 of the financial report contains the Group's accounting policies with respect to revenue recognition by product and service and the revenue disclosures.	Our audit procedures included the following: ▶ Selected a sample of significant customer contracts to identify clauses that may impact the determination of the value and timing of revenue recognition and assessed whether the Group's accounting policies in respect of these matters were consistent with the requirements of AASB15. ▶ Selected a sample of revenue transactions and assessed whether revenue recognised was in accordance with these accounting policies and identified supporting evidence of the associated goods being delivered/services being provided. ▶ Analysed revenue recognised by assessing the monthly relationship between revenue, receivables and cash and investigating items outside expectations. ▶ Selected a sample of revenue transactions recognised prior to and after year end, to assess whether revenue was recognised in the appropriate period. ▶ Assessed the adjustment required to opening retained earnings upon transition to AASB15. ▶ Assessed whether the Group's revenue disclosures as outlined in Notes 1 and 2 are complete and meet the requirements of Australian Accounting Standards.

Capitalisation of product development costs

Why significant

The Group develops software related to nurse on call technology. Product development costs are capitalised and presented as intangible assets in the consolidated statement of financial position.

The carrying value of capitalised product development costs as at 30 June 2019 was $1.96 million.

The capitalisation of product development costs was a key audit matter as product development is core to the Group's operations and there is judgement involved in determining the projects and costs that meet the capitalisation criteria in accordance with Australian Accounting Standards. There is also judgement involved in the selection of an appropriate amortization rate.

The measurement of capitalised product development costs is based on the time and overhead costs associated with individuals employed and external contractors of the Group for the specific purpose of developing software. Capitalised product development costs are amortised once the product is available for use.

Refer to Note 1(i) and Note 11 for the Group's accounting policy and disclosures relating to capitalised product development costs.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Discussions with the Group's technical specialists in relation to the development activities that were undertaken during the year.
- Assessed the capitalisation methodology applied by the Group with reference to the capitalisation criteria contained within Australian Accounting Standards.
- For eligible projects, assessed and tested key measurement inputs, including payroll and overhead costs. We agreed a sample of external contractor costs to supporting documentation and employee costs to employee timesheets and payroll records. We assessed whether the sample of employees were directly involved in product development.
- Assessed the useful life and amortisation rate allocated to capitalised product development costs.
- Determined whether amortisation had commenced when appropriate.
- Assessed the impairment indicator analysis performed by the Group.
- Assessed the adequacy of the disclosures included in Notes 1(i) and 11.

Tax complexities

Why significant	How our audit addressed the key audit matter
The Group operates and sells into a number of different tax jurisdictions all of which have specific regulations that need to be considered. Judgement is required in the interpretation of certain of these tax regulations. Judgement is also required in assessing the recoverability of deferred tax assets relating to carry-forward tax losses and unused research and development tax credits. At 30 June 2019 the Group has $12.3 million of unrecognised and $0.6 million of recognised deferred tax assets relating to carry-forward tax losses and unused research and development tax credits. The Group's disclosures with respect to income tax and indirect taxes are included in Note 5 and Note 12 respectively of the financial report.	Our audit procedures which involved our tax specialists where considered appropriate, included the following: ▶ Assessed the Group's various tax exposures to determine whether adequate provisions and accruals were recorded. ▶ Assessed the Group's calculations of current and deferred income tax expense and indirect tax accruals. ▶ Consideration of transfer pricing documentation. ▶ Assessed management's judgement with respect to the treatment of deferred tax assets relating to carry-forward tax losses and unused research and development tax credits. ▶ Assessed the appropriateness of the Group's disclosures in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Azure Healthcare Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst + Young

Ernst & Young

Joanne Lonergan
Partner
Melbourne
29 August 2019

Corporate Governance Statement

In accordance with Listing Rule 4.10.3, Azure's Corporate Governance Statement can be found at http://www.azurehealthcare.com/

Shareholder Information

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. This information is correct as at 26 August 2019.

Distribution of Holders In Each Class Of Equity Securities

Fully paid ordinary shares	**Number of shareholders**
1 – 1,000	54
1,001 – 5,000	160
5,001 – 10,000	150
10,001 – 100,000	458
100,001 and over	163
Total Number of shareholders	985
Unmarketable parcels	248

Twenty largest Holders Of Quoted Securities	**Number**	**%**
National Nominees Limited	42,794,707	18.39
Mr Robert Grey + Ms Aurawan Grey <Cetau Super Fund A/C>	37,312,527	16.03
Asia Pac Holdings Pty Ltd	17,317,631	7.44
Bill Brooks Pty Ltd <Bill Brooks Super Fund A/C>	12,648,202	5.44
Mr Robert Edward Grey <Austco A/C>	10,159,928	4.37
Asia Pac Technology Pty Ltd	8,525,266	3.66
Asia Pac Holdings Pty Ltd <Asia Pac Holdings A/C>	6,059,263	2.60
Debuscey Pty Ltd	4,281,058	1.84
Asia Pac Technology Pty Ltd <John Bennetts S/F A/C>	3,766,222	1.62
Dixson Trust Pty Ltd	3,750,000	1.61
Asia Pac Holdings Pty Ltd	3,230,783	1.39
Sean Elias Family Investments Pty Ltd <Sean Elias Investments A/C>	2,845,852	1.22
Mr Jason D'arcy + Mrs Patricia D'arcy <D'arcy Super Fund A/C>	2,500,000	1.07
Lz New Century Pty Ltd	2,405,000	1.03
Mr David Leroy Boyles	2,000,000	0.86
Nabru Nominees Pty Limited <Nabru Nominees P/L S/F A/C>	1,772,591	0.76
Mrs Emma Jane Gracey	1,548,043	0.67
David Mcdonald Builders Pty Ltd	1,330,000	0.57
Mr Erich Gustav Brosell	1,250,000	0.54
Mr Andrew Duncan Nash + Mr Geofrey Duncan Nash <Nash Super Fund>	1,246,485	0.54

Substantial shareholder notices lodged with the Company as at 20 August 2019

Robert Edward Grey	47,309,850 shares	20.3%
Australian Ethical Investment Ltd	41,447,475 shares	17.8%
Asia Pac Holding Pty Ltd	39,619,012 shares	17.0%
Bill Brooks Pty Ltd	11,091,491 shares	5.85%

Corporate Information

Azure Healthcare Limited
ABN 67 108 208 760

DIRECTORS
Mr Clayton Astles – Chief Executive Officer & Executive Director
Mr Graeme Billings – Non-Executive Chairman
Mr Brett Burns – Non-Executive Director
Mr Tony Glenning – Non-Executive Director

COMPANY SECRETARY
Mr Brendan Maher

REGISTERED OFFICE
Unit 1, 31 Sabre Drive
Port Melbourne, VIC 3207
Australia

SHARE REGISTRY
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnson Street
Abbotsford, VIC 3067
Australia

Azure Healthcare Limited shares are listed on the Australian Securities Exchange (ASX:AZV)

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

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

AUDITORS
Ernst & Young
8 Exhibition Street
Melbourne, VIC 3000
Australia