



ASX RELEASE

Azure Healthcare Limited announces 2017 half-year results

Melbourne, Australia, February 28 2017 - Azure Healthcare Limited (ASX:AZV) attaches its half year report for the 6 months ended 31 December 2016.

Summary

- **The net loss after tax for the half year ended 31 December 2016 was \$4.56 million, which included one off restructuring costs, provisions and balance sheet impairments of \$3.66 million;**
- **Due to the transition of manufacturing from Perth to Dallas, revenue for the period was \$4.26 million down and therefore gross profit was down \$2.38 million on the prior corresponding period, however, orders currently on hand exceed \$12.2 million;**
- **All restructuring, balance sheet repair and business divestment milestones have now been achieved with all associated costs borne in the first half; and**
- **The Board reaffirms its previous guidance that the Company expects to return to a modest profitability in the second half of FY17.**

Operating performance

As previously announced, the Company undertook a significant program to restructure the business operations. This has included the transition of its manufacturing operations to the USA and the largest review and rationalization of products in the Company's history. The Company is pleased to report that these initiatives have now been completed as at 31 December 2016. As a result the Company experienced a temporary slowing in revenue and increase in transfer costs due to the restructuring activities.

The Company maintains that the investment in these programs will create a foundation for future growth and profitability. The Company has eliminated dual manufacturing facilities and excess costs and is already seeing financial benefits, which will return the company to profitability in the second half of the financial year.

The significant variances in the Company's financial results when compared to the previous corresponding period are:

- Operating net loss after tax (excluding the impairment of goodwill but including restructure costs as discussed below) of \$1.81 million compared to \$0.5 million in the previous corresponding period representing a reduction of \$1.31 million;
- Revenue of \$13.05 million compared to \$17.31 million in the previous corresponding period representing a reduction of \$4.26 million. This is largely attributed to the loss of productivity while raw materials were moved between Perth and Dallas. However, the orders in hand currently exceed \$12.2 million and annual revenue for the full financial year is expected to be comparable to FY16;
- Gross margin of \$5.99 million compared to \$8.37 million in the previous corresponding period representing a reduction of \$2.38 million, attributable to lower turnover;
- Profit on sale of \$0.46 million for the divestment of CellGuard; and
- One-off expenses related to the restructure included:

- \$0.40m in inventory provisions;
- \$0.08 million in make good obligations in respect of termination of the Perth lease
- Other expenses associated with legal, recovery fees and balance sheet repair of \$0.410 million.

Non-operating impairment loss

The Company has undertaken a total company review of its intangible assets within all operating divisions. As a consequence of this review, the Company has determined that as a one off, non-operating, non-cash transaction, it should impair the full amount of acquired goodwill of \$2.75 million reducing the total Goodwill intangible assets to nil. The reasons for the write-down of goodwill are principally the reduction in revenues and operating profit for the last 2 years whilst undertaking restructuring activities, which have significantly changed the business.

Whilst the Company is confident that the future earnings will now be positive the impairment of goodwill will create a stronger balance sheet for all stakeholders.

The Company has expended considerable financial resources to complete its restructuring program negatively impacting operating cash flows for the 6 months ended 31 December 2016.

Divestment of non-core business

In the context of the restructure and strategic initiatives, the Company has now completed the sale of its Cellguard business. Cellguard provides audio communication systems for custodial care facilities such as prisons. The process was completed in December 2016 and had a positive financial impact of \$0.46 million as a profit on sale as assets divested were less than the sale proceeds. These amounts are reflected and accounted for in the attached Appendix 4D – Half year report.

Outlook

The Company reaffirms its previous guidance. Whilst the Company does not expect to be profitable for the full 2017 financial year it does expect to be modestly profitable in the second half of the 2017 financial year. The Company is already seeing the benefits of the restructure with:

- a second manufacturing shift added in the Dallas Factory;
- record output for the Dallas factory in January;
- a strong order book;
- continued growth in the sales of software; and
- research and development continuing with the release of the Company's Tacera Pulse RTLS product in December 2016 and the release of the Company's mobile application for Tacera Pulse on track for March 2017.

For further information please contact:

Mr Clayton Astles

Chief Executive Officer

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Azure Healthcare Limited
Appendix 4D - Half Year End Financial Report
For the Half Year Ended 31 December 2016
Results for Announcement to the Market

Current Reporting Period - Half Year Ended 31 December 2016

Previous Reporting Period - Half Year Ended 31 December 2015

	%	31 December 2016	31 December 2015
	Change Up/(down)	\$'000	\$'000
Revenue from ordinary activities	(24.6%)	13,054	17,312
Foreign Exchange	(89.3%)	39	366
Other Income		14	-
Other Income - Sale of Asset		460	-
Interest income		-	4
Revenue from ordinary activities excluding interest income	(23.3%)	13,567	17,678
Operating expenses	-16.0%	(15,062)	(17,926)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	512.7%	(1,495)	(244)
Depreciation and amortisation expenses		(255)	(260)
Non-operating impairment of goodwill expense		(2,749)	-
Earnings before interest and tax (EBIT)	792.7%	(4,499)	(504)
Net interest expense		(56)	(37)
Profit before income tax expense	742.0%	(4,555)	(541)
Income tax expense		-	(44)
Net Profit after tax from continuing operations	816.5%	(4,555)	(497)
Net Profit after tax for the period attributable to members of Azure Healthcare Limited	816.5%	(4,555)	(497)
Other comprehensive income:			
Exchange difference arising on translation of foreign operations (movement in equity reserves)		(207)	183
Total comprehensive income for the period attributable to members of Azure Healthcare Limited	1,416.6%	(4,762)	(314)
Net Tangible Asset per Security (cents per security)		4.82	6.39
Earnings per share attributable to the ordinary equity holders of the company (cents per security):			
Continuing Operations (Basic and Diluted)		(2.10)	(0.26)
Overall Earnings per Share (Basic and Diluted)		(2.10)	(0.26)
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)			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.			



Appendix 4D Half Year Financial Report

For the Half Year Ended 31 December 2016

(previous corresponding period: Half Year Ended 31 December 2015)

To be read in conjunction with the 30 June 2016 Annual Report.
In compliance with Listing Rule 4.2A

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Director's Report

Your Directors present their report on the consolidated entity consisting of Azure Healthcare Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2016.

Directors

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

Mr Graeme Billings	Non Executive Chairman
Mr Brett Burns	Non-Executive Director
Mr Clayton Astles	Chief Executive Officer & Director

Principal Activities

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

Auditors independence

The Auditors independence declaration can be found on page 5 of this report.

Financial performance

Revenue from ordinary activities decreased by 24.6% compared to the previous corresponding period. Net loss after tax (NPAT) was -\$4.555 million compared to -\$0.497 for the previous corresponding period.

Net Tangible Assets (NTA): Net Tangible assets have decreased from 6.39 cents to 4.82 cents per share, a decrease of 24.6%.

Cash and operating cashflow: Cash as at 31 December 2016 was \$1.517 million representing a decrease of \$0.168 million or 10.0%. Operating cashflow was negative \$2.442 million for the 6 months ended 31 December 2016 and included closure costs for the Perth manufacturing facility.

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

Operating expenses (excluding one off impairment write down) have decreased by 12.4% from \$9.283 million to \$8.256 million over the previous 6 months largely due to management's cost reduction initiatives. These cost savings have been implemented in the 6 months ended 31 December 2016 and will translate to annual savings in excess of \$1 million.

Operating performance

As previously announced, the Company undertook a significant program to restructure the business operations. This has included the transition of its manufacturing operations to the USA and the largest review and rationalization of products in the Company's history. The Company is pleased to report that these initiatives have now been completed as at 31 December 2016. As a result the Company experienced a temporary slowing in revenue and increase in transfer costs due to the restructuring activities.

The Company maintains that the investment in these programs will create a foundation for future growth and profitability. The Company has eliminated dual manufacturing facilities and excess costs and is already seeing financial benefits, which will return the company to profitability in the second half of the financial year.

The significant variances in the Company's financial results when compared to the previous corresponding period are:

Director's Report (continued)

- Operating net loss after tax (excluding the impairment of goodwill but including restructure costs as discussed below) of \$1.81 million compared to \$0.5 million in the previous corresponding period representing a reduction of \$1.31 million;
- Revenue of \$13.05 million compared to \$17.31 million in the previous corresponding period representing a reduction of \$4.26 million. This is largely attributed to the loss of productivity while raw materials were moved between Perth and Dallas. However, the orders in hand currently exceed \$12.2 million and annual revenue for the full financial year is expected to be comparable to FY16;
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- One-off expenses related to the restructure included:
 - \$0.40m in inventory provisions;
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 - Other expenses associated with legal, recovery fees and balance sheet repair of \$0.410 million.

Non-operating impairment loss

The Company has undertaken a total company review of its intangible assets within all operating divisions. As a consequence of this review, the Company has determined that as a one off, non-operating, non-cash transaction, it should impair the full amount of acquired goodwill of \$2.75 million reducing the total Goodwill intangible assets to nil. The reasons for the write-down of goodwill are principally the reduction in revenues and operating profit for the last 2 years whilst undertaking restructuring activities, which have significantly changed the business.

Whilst the Company is confident that the future earnings will now be positive the impairment of goodwill will create a stronger balance sheet for all stakeholders.

The Company has expended considerable financial resources to complete its restructuring program negatively impacting operating cash flows for the 6 months ended 31 December 2016.

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Events after reporting period - Rights issue

The Company completed a Rights issue on 6th January 2017 on the basis of 1 new share for every 15 existing shares. The total number of new shares issued was 14,544,552 at an issue price of \$0.07 which raised a total of \$1,018,119. Any new shares not applied for under the offer (shortfall shares) were offered to eligible shareholders under conditions as described in the Offer documents.

Research & Development

Expenditure

The Company invested \$1.68 million in research and development for the 6 months ended 31 December 2016 compared to \$2.1 million for the previous corresponding period. The Company remains committed to continuing this investment to ensure the sustained development and advancement of its products.

As a conservative approach the Company continues to expense these costs rather than capitalise them.

Rounding of amounts

The Company is a company of the kind referred to in Legislative instrument 2016/191, and in accordance with that instrument the Directors Report and Interim Financial Report are rounded to the nearest thousand dollars.

On behalf of the directors:



Clayton Astles
Chief Executive Officer
Melbourne
Dated 28 February 2017

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF AZURE HEALTHCARE LIMITED

As lead auditor for the review of Azure Healthcare Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in blue ink that reads 'David Garvey'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 28 February 2017

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Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half Year Ended 31 December 2016

	Note	Consolidated Entity 31 December 2016 \$'000	31 December 2015 \$'000
Revenue from Continuing Operations		13,054	17,312
Other Income		14	4
Foreign Exchange		39	366
Total Revenue		13,107	17,682
Cost of Goods Sold		(7,117)	(8,940)
Gross Profit		5,990	8,742
Other Income - Sale of Asset	6	460	-
Employee Benefits Expense		(5,020)	(6,628)
Motor Vehicle Expenses		(90)	(187)
Occupancy Expenses		(461)	(468)
Depreciation and Amortisation Expenses		(255)	(260)
Accounting, Audit and Legal Fees		(797)	(390)
Finance Costs		(56)	(37)
Travel Expenses		(389)	(483)
Other Expenses		(1,188)	(830)
Impairment Expense	3	(2,749)	-
Loss Before Income Tax		(4,555)	(541)
Income Tax Benefit / (Expense)		-	44
Net Loss after tax		(4,555)	(497)
Net Loss attributable to members of Azure Healthcare Limited		(4,555)	(497)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss		-	-
Exchange Differences on Translation of Foreign Operations		(207)	183
Total Comprehensive Income for the Year		(4,762)	(314)
		Cents	Cents
Earnings per Share:			
Basic earnings/(loss) per share		(2.10)	(0.26)
Diluted earnings/(loss) per share		(2.10)	(0.26)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 December 2016 \$'000	Consolidated Entity 30 June 2016 \$'000
Current Assets			
Cash and Cash Equivalents		1,517	1,685
Trade and Other Receivables		5,266	5,803
Inventories		7,638	7,919
Other Assets		902	718
Total Current Assets		15,323	16,125
Non-Current Assets			
Plant and Equipment		660	774
Deferred Tax Assets		2,154	2,084
Intangible Assets		146	3,000
Total Non-Current Assets		2,960	5,858
Total Assets		18,283	21,983
Current Liabilities			
Trade and Other Payables		6,402	6,366
Short Term Borrowings		1,927	2,024
Current Tax Liabilities		110	85
Provisions		273	1,258
Total Current Liabilities		8,712	9,733
Non-Current Liabilities			
Long Term Borrowings		28	8
Provisions		18	72
Total Non-Current Liabilities		46	80
Total Liabilities		8,758	9,813
Net Assets		9,525	12,170
Equity			
Contributed Equity		37,239	35,124
Option Reserves		47	47
Foreign Exchange Reserve		(633)	(426)
Accumulated Losses		(27,128)	(22,575)
Total Equity		9,525	12,170

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2016

	Consolidated Entity				
	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Option Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	35,123	(18,925)	(661)	-	15,537
Profit after income tax expense for the year		(497)		-	(497)
Other comprehensive income for the year, net of tax	-	-	183	-	183
Total comprehensive income for the year	-	(497)	183	-	(314)
Issue of shares					
Transfer to/from reserves	-	-	-	37	37
Balance at 31 December 2015	35,123	(19,422)	(478)	37	15,260
Balance at 1 July 2016	35,124	(22,575)	(426)	47	12,170
Profit after income tax expense for the year	-	(4,555)	-	-	(4,555)
Other comprehensive income for the year, net of tax	-		(207)	-	(207)
Total comprehensive income for the year	-	(4,555)	(207)	-	(4,762)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares	2,115	-	-	-	2,115
Balance at 31 December 2016	37,239	(27,128)	(633)	47	9,525

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2016

	Note	31 December 2016 \$'000	Consolidated Entity 31 December 2015 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		14,950	17,680
Payments to Suppliers and Employees		(17,535)	(17,927)
Interest Received			4
Borrowing Costs		(56)	(39)
Income Tax Paid		(52)	44
Net Cash Used in Operating Activities		(2,693)	(238)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payments for Acquisition of Fixed Assets		(18)	(148)
Proceeds from Fixed Asset Disposal		16	-
Other			(111)
Proceeds from Sale of Assets	6	665	-
Net Cash Provided by/(Used in) Investing Activities		663	(259)
Net Cash Used in Operating and Investing Activities		(2,030)	(497)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from Issue of Shares		1,992	-
Borrowings		(125)	(313)
Payment of Lease and Hire Purchase Liabilities		(7)	(6)
Net Cash Provided by / (Used in) Financing Activities		1,860	(319)
Net Decrease in Cash Held		(170)	(816)
Cash and Cash Equivalents at Beginning of Year		1,685	1,906
Effects of Exchange Rate Changes in Cash		2	-
Cash and Cash Equivalents at End of Year		1,517	1,090

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

Note 1. Basis of Preparation

This financial report covers the consolidated entity consisting of Azure Healthcare Limited and its controlled entities. Azure Healthcare Limited is a listed public company, incorporated and domiciled in Australia. The nature of the operations and principal activities of the consolidated entity are described within Note 4.

(a) Basis of Preparation

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

This interim financial report is intended to provide users with an update on the latest annual financial statements of Azure Healthcare Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half-year.

(b) Financial Assets and Liabilities

Financial assets and liabilities of the Group are recognised in the statement of financial position at their fair values in accordance with accounting policies set out in the 30 June 2016 financial report. In all instances the fair value of financial assets and financial liabilities approximates to their carrying value.

(c) Summary of the Significant Accounting Policies

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption.

The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

While the group is yet to undertake a detailed assessment, it would appear that the group's current occasional hedge instruments would qualify as continuing hedges upon the adoption of AASB 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, the group does not expect a significant impact on the results of the group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These may change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118, which covers revenue arising from the sale of goods and the rendering of services and AASB 111, which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Notes to the Consolidated Financial Statements

(continued)

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for the first interim period within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

At this stage, the group is not able to estimate the effect of the new rules on the group's financial statements. The group will make more detailed assessments of the effect over the next twelve months. The group does not expect to adopt the new standard before 1 January 2018.

AASB 16 Leases

AASB 16 Leases AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the group's operating leases. The group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

(d) Rounding Off of Amounts

The Company is a company of the kind referred to in Legislative Instrument 2016/191, and in accordance with that Instruments amounts in the Directors Report and the Interim Financial Report are rounded off to the nearest thousand dollars.

Note 2. Dividends

The company resolved not to declare any dividends in the period ended 31 December 2016.

Note 3. Impairment of Goodwill

The Company has undertaken a total company review of its intangible assets within all operating divisions. As a consequence of this review, the Company has determined that as a one off, non-operating, non-cash transaction, it should impair the full amount of acquired goodwill of \$2.75 million reducing the total Goodwill intangible assets to nil. The reasons for the write-down of goodwill are principally the reduction in revenues and operating profit for the last 2 years whilst undertaking restructuring activities, which have significantly changed the business.

Notes to the Consolidated Financial Statements

(continued)

Note 4. Segment Information

Management has determined the operating segments based upon reports reviewed by the Board and executive management that are used to make operational and strategic decisions. The group is organised into one major operating division, healthcare, which has four geographic segments. These segments are the basis on which the Group reports its segment information.

Healthcare

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

	-----Healthcare-----				Total	Eliminations		
	Austco Australia / Sedco / NZ \$'000	Austco Asia \$'000	Austco Europe \$'000	Austco North America \$'000		Inter company \$'000	Corporate \$'000	Group Total \$'000
31 December 2016								
Revenue - external	5,757	2,088	976	4,287	13,108	-	-	13,108
Revenue - intersegment	3,334	22	1	3,777	7,134	(7,134)	-	-
Interest Revenue	26	-	-	-	26	(26)	-	-
Total Revenue	9,117	2,110	977	8,064	20,268	(7,160)	-	13,108
EBITDA	(262)	(238)	91	(1,170)	(1,579)	(208)	(2,440)	(4,227)
Depreciation	(47)	(14)	(4)	(78)	(143)	-	-	(143)
Amortisation	(112)	-	-	-	(112)	-	-	(112)
EBIT	(421)	(252)	87	(1,248)	(1,834)	(208)	(2,440)	(4,482)
Interest	(10)	-	-	(26)	(36)	25	(45)	(56)
Income Tax	18	-	(17)	(1)	-	-	-	-
NPAT	(429)	(252)	70	(1,275)	(1,887)	(183)	(2,485)	(4,555)
31 December 2015								
Revenue - external	6,010	2,665	978	8,025	17,678	-	-	17,678
Revenue - intersegment	3,658	4	-	1,031	4,693	(4,693)	-	-
Interest Revenue	28	-	-	-	28	(24)	-	4
Total Revenue	9,696	2,669	978	9,056	22,399	(4,717)	-	17,682
EBITDA	1,300	(162)	(72)	(878)	188	(296)	(140)	(248)
Depreciation	(53)	(21)	(8)	(66)	(148)	-	-	(148)
Amortisation	(112)	-	-	-	(112)	-	-	(112)
EBIT	1,135	(183)	(80)	(944)	(72)	(296)	(140)	(508)
Interest	(3)	-	-	(27)	(30)	29	(33)	(34)
Income Tax	45	-	-	-	45	-	-	45
NPAT	1,177	(183)	(80)	(971)	(57)	(267)	(173)	(497)
Segment Assets								
6/30/16	21,661	2,774	859	8,417	33,711	(29,962)	18,234	21,983
12/31/16	23,289	1,900	957	10,209	36,355	(37,931)	19,859	18,283
Segment Liabilities								
6/30/16	5,488	2,164	386	13,863	21,901	(14,099)	2,011	9,813
12/31/16	7,062	1,567	451	17,081	26,161	(19,293)	1,890	8,758

Notes to the Consolidated Financial Statements

(continued)

Note 4. Segment Information (continued)

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

Results of Segments

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

Inter-segment pricing

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

Note 5. Contingent Liabilities and Assets

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

Note 6. Sale of Assets

On 23 December 2016, Austco Communication Systems Pty Ltd, a wholly owned subsidiary of Azure Healthcare Ltd, divested its CellGuard business through an asset sale agreement. This business was not a separate legal entity and its operating revenues and expenses were not material enough to disclose separately as discontinued operations. Sales, margins and costs associated with this business were not material to the financial report of the Consolidated Group for the 6 months ended 31 December 2016.

Financial information relating to the sale of asset was as follows;

	31 December 2016 \$'000
Sale proceeds (gross)	1,000
Adjustment for entitlements not transferred	(197)
Adjustment for entitlements on transferred staff	(138)
Sale proceeds (net)	<u>665</u>
Legal fees on sale	(36)
Advisory fees on sale	(102)
Inventory and fixed assets sold at WDV	(205)
Capital gain on sale of assets	<u>460</u>

Note 7. New shares issued – Placement

On 28 November 2016 the Company raised \$1,991,971 through the placement of 28,456,731 new fully paid ordinary shares to sophisticated, professional and institutional investors at an issue price of \$0.070 per share. The offer Price reflected a 5.7% discount to the 5 day volume weighted average trading price (VWAP) of the Company's shares for the period ended on 22 November 2016. The funds raised from the Placement and Rights Offer (net of offer expenses) were used by the Company to repay debt and for working capital purposes. Shares issued under the Placement rank equally in all respects with the existing fully paid ordinary shares in the Company. The total shares on issue after the placement as at 31 December 2016 are 218,168,275.

Shares on issue prior to placement	189,711,544
New shares issued:	<u>28,456,731</u>
Total shares on issue as at 31 December 2016:	<u>218,168,275</u>

Note 8. Events after reporting period – Rights issue

The Company completed a Rights issue on 6th January 2017 on the basis of 1 new share for every 15 existing shares. The total number of new shares issued was 14,544,552 at an issue price of \$0.07 which raised a total of \$1,018,119. Any new shares not applied for under the offer (shortfall shares) were offered to eligible shareholders under conditions as described in the Offer documents.

Directors' Declaration

The directors of the company declare that:

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Clayton Astles
Chief Executive Officer
Melbourne
Dated 28 February 2017

Independent Auditor's Review Report



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azure Healthcare Limited

Report on the Half-Year Financial Report

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Azure Healthcare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

Independent Auditor's Review Report

(continued)



Conclusion

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

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in blue ink, appearing to read 'David Garvey'. Above the signature is a small, stylized blue logo that resembles the BDO logo.

David Garvey
Partner

Melbourne, 28 February 2017