

ParagonCare

PARAGON CARE LIMITED

ABN 76 064 551 426

**APPENDIX 4D & HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

1. Company details

Name of entity:	Paragon Care Limited
ABN:	76 064 551 426
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

	Total 31 Dec 2019 \$'000	Continuing operations 31 Dec 2018 \$'000	Discontinued operations 31 Dec 2018 \$'000	Total 31 Dec 2018 \$'000	Change from half-year ended 31 Dec 2018 Continuing %	Change from half-year ended 31 Dec 2018 %
Revenue	120,624	119,368	10,670	130,038	1.1%	(7.2%)
Cost of sales	(75,088)	(73,800)	(6,796)	(80,596)	1.7%	(6.8%)
Gross profit	<u>45,536</u>	<u>45,568</u>	<u>3,874</u>	<u>49,442</u>		
Gross profit margin %	38%	38%	36%	38%		
Other income	1,208	471	41	512	155.8%	135.4%
Operating expenses	(34,672)	(31,466)	(8,893)	(40,359)	10.2%	(14.1%)
Normalised earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA')	12,072	14,573	(4,978)	9,595	(17.2%)	25.8%
Abnormal expenses	(3,000)	-	-	-	-	-
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	9,072	14,573	(4,978)	9,595	(37.7%)	(5.5%)
Depreciation and amortisation	(4,365)	(3,945)	(5,994)	(9,939)	10.7%	(56.1%)
Earnings before interest and tax ('EBIT')	4,707	10,628	(10,972)	(344)	(55.7%)	(1,468.7%)
Interest expense	(2,736)	(3,110)	(58)	(3,168)	(12.0%)	(13.6%)
Profit/(loss) before tax	1,971	7,518	(11,030)	(3,512)	(73.8%)	(156.1%)
Tax expense	(572)	(2,393)	1,749	(644)	(76.1%)	(11.2%)
Profit/(loss) after tax	<u>1,399</u>	<u>5,125</u>	<u>(9,281)</u>	<u>(4,156)</u>	(72.7%)	(134.5%)

Earnings per share

	31 Dec 2019 Cents	31 Dec 2018 Cents
Basic earnings per share	0.41	(1.36)
Diluted earnings per share	0.41	(1.36)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The profit for the Group after providing for income tax amounted to \$1,399,000 (31 December 2018: loss of \$4,155,000).

Further comments on the results for the year can be found in the review of operations section in the attached Directors' report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(7.53)</u>	<u>0.81</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

A final dividend for the year ended 30 June 2018 of 2 cents per ordinary share fully franked was paid on 6 October 2018.

7. Dividend reinvestment plans

The Company operates a dividend reinvestment plan ('DRP') that enables shareholders to elect to reinvest all, or up to a portion of, their dividends into additional shares in Paragon. The DRP was available for the final dividend. Shares will be issued at a discount of 2.5% to the volume weighted average market price of shares sold on the ASX over the 5 trading days immediately preceding the record date.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Paragon Care Limited for the half-year ended 31 December 2019 is attached.

12. Signed

Signed  _____

Shane Tanner
Chairman
Melbourne

Date: 28 February 2020

Paragon Care Limited

ABN 76 064 551 426

Interim Report - 31 December 2019

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Paragon Care Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Paragon Care Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Shane Tanner	Non-Executive Chairman
Michael Newton	Non-Executive Director
Geoffrey Sam OAM	Non-Executive Director
Brent Stewart	Non-Executive Director
Bruce Bian	Non-Executive Director
Mark Simari (appointed 27 November 2019)	Non-Executive Director
Andrew Just (resigned 27 November 2019)	Former Managing Director and Chief Executive Officer

Principal activities

The principal continuing activity of the Group is supply of durable medical equipment, medical devices and consumable medical product to the health and aged care markets throughout Australia and New Zealand.

There were no significant changes in the nature of the activities of the Group that occurred during the half-year.

Review of operations

The profit for the Group after providing for income tax amounted to \$1,399,000 (31 December 2018: loss of \$4,155,000).

	<i>Total</i> <i>31 Dec 2019</i> <i>\$'000</i>	<i>Continuing</i> <i>operations</i> <i>31 Dec 2018</i> <i>\$'000</i>	<i>Discontinued</i> <i>operations</i> <i>31 Dec 2018</i> <i>\$'000</i>	<i>Total</i> <i>31 Dec 2018</i> <i>\$'000</i>
Revenue	120,624	119,368	10,670	130,038
Cost of sales	<u>(75,088)</u>	<u>(73,800)</u>	<u>(6,796)</u>	<u>(80,596)</u>
Gross profit	<u>45,536</u>	<u>45,568</u>	<u>3,874</u>	<u>49,442</u>
<i>Gross profit margin %</i>	<i>38%</i>	<i>38%</i>	<i>36%</i>	<i>38%</i>
Other income	1,208	471	41	512
Operating expenses	<u>(34,672)</u>	<u>(31,466)</u>	<u>(8,893)</u>	<u>(40,359)</u>
Normalised earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA')	12,072	14,573	(4,978)	9,595
Abnormal expenses	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	9,072	14,573	(4,978)	9,595
Depreciation and amortisation	<u>(4,365)</u>	<u>(3,945)</u>	<u>(5,994)</u>	<u>(9,939)</u>
Earnings before interest and tax ('EBIT')	4,707	10,628	(10,972)	(344)
Interest expense	<u>(2,736)</u>	<u>(3,110)</u>	<u>(58)</u>	<u>(3,168)</u>
Profit/(loss) before tax	1,971	7,518	(11,030)	(3,512)
Tax expense	<u>(572)</u>	<u>(2,393)</u>	<u>1,749</u>	<u>(644)</u>
Profit/(loss) after tax	<u>1,399</u>	<u>5,125</u>	<u>(9,281)</u>	<u>(4,156)</u>

Revenue and Gross Margin Performance

First half of FY20 revenues from continuing businesses were \$120.7m, up from \$119.4m reported from continuing operations in FY19. Excluding the Western Biomedical business in Western Australia (see Note 2), revenue from continuing businesses grew half year on half year from \$102.3m (FY19) to \$111.2m (FY20) – at a growth rate of 8.5%, which was pleasing. Gross margins have remained constant at approximately 38% half year on half year. This is also pleasing given the significant fall in the A\$/US\$ during the past 12 months.

Western Biomedical

Western Biomedical ('WBM') revenues declined from \$17.1m in first half FY19 to \$9.5m in the FY20 first half due to the loss of a number of key clients/contracts. Legal proceedings have been issued by Paragon via its fully owned subsidiary Western Biomedical Pty Ltd in the Supreme Court of Western Australia against two former employees and the vendor of Western Biomedical as a consequence of these lost contracts. The proceedings are being defended.

EBITDA Performance

Normalised FY20 half year EBITDA is approximately \$12m – this represents a 10% margin on revenue. This is still below the 13%-14% EBITDA/Revenue Margin the Company is targeting. Operating expenses remain too high. The Company has identified "one-off abnormal expenses" for the period of approximately \$3m, mostly associated with restructuring and redundancies.

ERP, Cash flow and Dividends

As highlighted at the recent Annual General Meeting, the implementation of the new ERP System (Microsoft Dynamics 365) was extremely poor and following the recent change in senior management, the Company has reset its objectives. As a consequence, a complete review of the ERP systems will be undertaken which will result in a more measured, and less risky, phased roll-out. As a consequence, the Company will not see all businesses on the new system until FY21.

The poor implementation of the ERP System put severe pressure on invoicing and debtors' collection during the September quarter. PGC's normal trade debtors' balance of around \$35m blew out to over \$50m by the end of quarter one. By December 2019, trade debtors were reduced to approximately \$41m.

The cash flow from operations was impacted by the abnormal expenses, other costs associated with the implementation of the ERP as well as the slower collections of debtors resulting in a decline in cash flow by \$8.6m against same time last year. There is a way to go but management expect a return to debtor normality by June 2020. Until debtors recover in full, dividend payments will remain suspended.

Balance Sheet.

The Company's balance sheet remains strong with a slight increase in net assets over 30 June 2019. The company's cash balance at 31st December 2019 was approximately \$18m.

Intangible assets, largely consisting of goodwill on acquisition has been reviewed and no impairment has been provided for at 31 December 2019. The company does not believe that the performance of the overall cash generating unit associated with the goodwill on acquisition has been permanently impaired at this time. The intangible assets will be tested again for impairment at the end of the financial year.

Cost Out Program

The Cost Out Program continued during the first half of the financial year, but not at the pace the Board would like. To date \$2m in annualised savings out of our original target of \$8m has been achieved. The new senior management team (appointed in late November 2019) is treating this project with appropriate diligence and priority, commencing with a full company review to ascertain what can be sensibly achieved whilst delivering the optimum platform for the Company to deliver on its potential.

New Executive Team

The Company's new CEO (Phil Nicholl - Surgical Specialties) and CFO (Stephen Munday) took on their new roles by late November. Since their appointment it has been a very challenging time for them; however, they have been making great progress in a short time. Phil and Stephen have drawn upon additional support from Mark Simari (former Managing Director and current Non-Executive Director). In addition, Blair Johnson from REM System NZ and Frank Burke from Surgical Specialties are providing invaluable financial and ERP support to the new team. The General Managers of all of Paragon's businesses are now more integrally involved in the business, supported with an increased level of transparency and a specific target of keeping our solid organic revenue growth on track.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Shane Tanner
Chairman

28 February 2020
Melbourne

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Paragon Care Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



M PARAMESWARAN

Partner

Dated: 28 February 2020
Melbourne, Victoria

	Note	Consolidated 31 Dec 2019 \$'000	31 Dec 2018 \$'000
Revenue from continuing operations			
Sale of goods	4	120,624	119,368
Cost of sales		(75,088)	(73,800)
Gross profit		<u>45,536</u>	<u>45,568</u>
Other income		1,098	242
Interest revenue calculated using the effective interest method		110	230
Expenses			
Distribution		(2,778)	(2,362)
Marketing		(1,057)	(1,602)
Occupancy		(541)	86
Administration		(37,512)	(31,497)
Impairment of assets		(149)	(36)
Finance costs		(2,736)	(3,110)
Profit before income tax expense from continuing operations		1,971	7,519
Income tax expense		(572)	(2,393)
Profit after income tax expense from continuing operations		1,399	5,126
Loss after income tax benefit from discontinued operations		-	(9,281)
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Paragon Care Limited		1,399	(4,155)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net loss on hedge of net investment, net of tax		(706)	(349)
Foreign currency translation		585	1,068
Other comprehensive income for the half-year, net of tax		(121)	719
Total comprehensive income for the half-year attributable to the owners of Paragon Care Limited		<u>1,278</u>	<u>(3,436)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		1,278	5,845
Discontinued operations		-	(9,281)
		<u>1,278</u>	<u>(3,436)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Note	Consolidated	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000
	Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Paragon Care Limited		
Basic earnings per share	0.41	1.68
Diluted earnings per share	0.41	1.68
Earnings per share for loss from discontinued operations attributable to the owners of Paragon Care Limited		
Basic earnings per share	-	(3.04)
Diluted earnings per share	-	(3.04)
Earnings per share for profit/(loss) attributable to the owners of Paragon Care Limited		
Basic earnings per share	0.41	(1.36)
Diluted earnings per share	0.41	(1.36)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Consolidated	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Assets		
Current assets		
Cash and cash equivalents	18,423	34,224
Trade and other receivables	45,991	44,133
Inventories	53,612	51,407
Investments	-	22
Derivative financial instruments	-	291
Income tax refund due	8,021	5,736
Other	2,893	2,117
Total current assets	<u>128,940</u>	<u>137,930</u>
Non-current assets		
Receivables	574	574
Property, plant and equipment	12,614	13,056
Right-of-use assets	19,155	20,923
Intangibles	219,051	204,321
Deferred tax	7,440	7,392
Total non-current assets	<u>258,834</u>	<u>246,266</u>
Total assets	<u>387,774</u>	<u>384,196</u>
Liabilities		
Current liabilities		
Trade and other payables	46,276	47,947
Borrowings	15,441	10,136
Lease liabilities	3,886	3,031
Derivative financial instruments	718	-
Employee benefits	4,269	4,296
Vendor conditional payables	15,476	-
Other	3,867	7,462
Total current liabilities	<u>89,933</u>	<u>72,872</u>
Non-current liabilities		
Borrowings	82,397	89,243
Lease liabilities	17,724	19,221
Employee benefits	671	871
Vendor conditional payables	3,455	9,673
Total non-current liabilities	<u>104,247</u>	<u>119,008</u>
Total liabilities	<u>194,180</u>	<u>191,880</u>
Net assets	<u>193,594</u>	<u>192,316</u>
Equity		
Issued capital	202,718	202,718
Reserves	974	1,095
Accumulated losses	(10,098)	(11,497)
Total equity	<u>193,594</u>	<u>192,316</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve - cash flow hedges \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	156,930	(741)	640	13,984	170,813
Loss after income tax expense for the half-year	-	-	-	(4,155)	(4,155)
Other comprehensive income for the half-year, net of tax	-	1,068	(349)	-	719
Total comprehensive income for the half-year	-	1,068	(349)	(4,155)	(3,436)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	45,297	-	-	-	45,297
Dividends paid	-	-	-	(6,045)	(6,045)
Balance at 31 December 2018	<u>202,227</u>	<u>327</u>	<u>291</u>	<u>3,784</u>	<u>206,629</u>

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve - cash flow hedges \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	202,718	891	204	(11,497)	192,316
Profit after income tax expense for the half-year	-	-	-	1,399	1,399
Other comprehensive income for the half-year, net of tax	-	585	(706)	-	(121)
Total comprehensive income for the half-year	-	585	(706)	1,399	1,278
Balance at 31 December 2019	<u>202,718</u>	<u>1,476</u>	<u>(502)</u>	<u>(10,098)</u>	<u>193,594</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Consolidated	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	131,777	138,395
Payments to suppliers and employees (inclusive of GST)	(134,826)	(131,012)
Interest received	110	-
Interest and other finance costs paid	(2,736)	(2,487)
Income taxes paid	(2,905)	(4,851)
	<u> </u>	<u> </u>
Net cash from/(used in) operating activities	(8,580)	45
Cash flows from investing activities		
Payment for purchase of businesses, net of cash acquired	-	(29,468)
Payments for property, plant and equipment	(1,466)	(2,706)
Payments for intangibles	(3,085)	(2,594)
Payments for security deposits	(475)	-
Proceeds from disposal of investments	22	-
Proceeds from disposal of property, plant and equipment	239	-
	<u> </u>	<u> </u>
Net cash used in investing activities	(4,765)	(34,768)
Cash flows from financing activities		
Proceeds from issue of shares	-	47,477
Share issue transaction costs	-	(2,900)
Repayment of borrowings (net)	(1,203)	(903)
Repayment of lease liabilities	(1,253)	-
Dividends paid	-	(5,324)
	<u> </u>	<u> </u>
Net cash from/(used in) financing activities	(2,456)	38,350
Net increase/(decrease) in cash and cash equivalents	(15,801)	3,627
Cash and cash equivalents at the beginning of the financial half-year	34,224	40,391
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial half-year	<u>18,423</u>	<u>44,018</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Paragon Care Limited as a Group consisting of Paragon Care Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year. Paragon Care Limited and its subsidiaries together are referred to in these financial statements as the 'Group'. The financial statements are presented in Australian dollars, which is Paragon Care Limited's functional and presentation currency.

Paragon Care Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

50-54 Clayton Road
Clayton VIC 3168

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

No other new or amended Accounting Standards or Interpretations that are not yet mandatory have been early adopted. The Group early adopted new Accounting Standard AASB 16 'Leases', which replaces AASB 117 'Leases' in the previous financial half-year.

Note 3. Operating segments

The Group operates within one operating segment only - Medical Equipment. The Medical Equipment segment supplies durable medical equipment and consumable medical product to hospitals, medical centres and aged care facilities in Australia predominantly. The Group does not have any other reporting segments.

Note 4. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers, in respect of continuing operations, is as follows:

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
<i>Major product lines</i>		
Diagnostic Product line	11,740	11,552
Capital and Consumables Product Line	56,040	63,619
Devices Product Line	39,099	36,966
Services and Technology	13,745	7,231
	<u>120,624</u>	<u>119,368</u>
<i>Geographical regions</i>		
Australia	97,391	93,952
New Zealand	23,128	25,393
Other	105	23
	<u>120,624</u>	<u>119,368</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	106,879	112,137
Services transferred over time	13,745	7,231
	<u>120,624</u>	<u>119,368</u>

Note 5. Contingent liabilities

The Group has given bank guarantees as at 31 December 2019 of \$1,261,715 (30 June 2019: \$5,019,613).

Legal proceedings

The Company has commenced legal proceedings via its fully owned subsidiary, Western Biomedical Pty Ltd, in the Supreme Court of Western Australia against two former employees and the vendor of Western Biomedical as a consequence of the loss of key clients/contracts.

Apart from the above, there have been no material changes to contingent liabilities or contingent assets since the end of the previous reporting period.

Note 6. Business combinations

There were no business combinations during the half-year ended 31 December 2019.

The business combinations that occurred in the previous financial half-year, as disclosed in the 30 June 2019 Annual Report, have now been finalised and detailed below are the final values as at 31 December 2019. The finalisation of business combination accounting in accordance with AASB 3 'Business Combinations' has resulted in an increase of \$9,433,000 to goodwill.

Note 6. Business combinations (continued)

Summary of finalised business combinations during the half-year are as follows:

	<i>Lovell Surgical Fair value \$'000</i>	<i>Total Communi- cations Fair value \$'000</i>	<i>Total \$'000</i>
Net working capital	8	1,715	1,723
Plant and equipment	367	369	736
Deferred tax asset	50	70	120
Employee benefits	(168)	(235)	(403)
	<hr/>	<hr/>	<hr/>
Net assets acquired	257	1,919	2,176
Goodwill	743	37,971	38,714
	<hr/>	<hr/>	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>1,000</u>	<u>39,890</u>	<u>40,890</u>
Representing:			
Cash paid or payable to vendor	1,000	27,890	28,890
Vendor earnout	-	12,000	12,000
	<hr/>	<hr/>	<hr/>
	<u>1,000</u>	<u>39,890</u>	<u>40,890</u>
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	1,000	39,890	40,890
Less: payments to be made in future periods	-	(12,000)	(12,000)
	<hr/>	<hr/>	<hr/>
Net cash used	<u>1,000</u>	<u>27,890</u>	<u>28,890</u>

Note 7. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- 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 Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Shane Tanner
Chairman

28 February 2020
Melbourne

RSM Australia Partners

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INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of Paragon Care Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Paragon Care Limited (“the company”) and its controlled entities (“the consolidated entity”) which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors’ Responsibility for the Half-Year Financial Report

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

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paragon Care Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



M PARAMESWARAN

Partner

Dated: 28 February 2020

Melbourne, Victoria