AZURE
HEALTHCARE LIMITED

2020 ANNUAL REPORT

STRONG TOGETHER

Chairman’s Letter

2020 Annual Report

Dear Shareholder

I am pleased to present the Company’s Annual Report for FY2020. This year was a challenging and unique year for Azure Healthcare, like for most companies, and I am pleased to report that we delivered a resilient result despite those challenges, not the least of which was COVID-19.

This year was a year of two halves. In the first half we continued to work through our strategies to mitigate the tariffs’ impact on goods imported into the USA from China as a result of increasing trade tensions. With revenue increasing by 12% in the first half, and gross margins also increasing from 45.7% last financial year to 51.4%, the results of our efforts started to become evident.

In the second half we faced the impact of COVID-19. Working closely with hospitals and aged care facilities we saw first hand the impact of this virus on our community in all the regions in which we operate, but we also saw first-hand the dedication and care provided by the front line staff of our customers and the broader healthcare industry. Their commitment in the face of unimagined events was, and still is, unparalleled.

I also want to sincerely thank the Azure Healthcare team for their dedication and ability to adapt during these unprecedented times. The agility shown by the Azure Healthcare team during the second half was key to ensuring a successful close out to the year.

COVID-19 limited our ability to access hospital and aged care sites to install our equipment; this led to a decrease in revenue of 12% in the second half. As a result, revenue from customers over the year was marginally down at $31.6m compared to the prior year’s $31.7m. We were able to access government stimulus packages from a number of regions, which provided $1.4m in grant income in the year.

Growing our high margin software and maintenance revenues has been a key priority for Azure Healthcare in the transition from a hardware company to a hardware and software company. Over the year, we achieved a 40% increase in these revenues to $4.9m. Software and maintenance revenues improved gross margins from 51.4% in the first half to 52.7% in the second half. Despite the first half tariff-related challenges and the second half COVID-19 challenges, we were able to deliver a statutory net profit after tax of $2.5m, which was a 293% increase over last year’s $0.6m profit.

In spite of the lingering COVID-19 challenges, which can change rapidly as countries deal with second wave infections, the business remains resilient. We have continued to focus on R&D with a further $3.7m invested last year and a similar amount budgeted for this year. This R&D investment allows our flagship Tacera product suite to retain its market leading position. Further, with the recent release of Real Time Locating System functionality in our solution, we expect to maintain that market position.

Our Balance Sheet is strong, benefiting from our $3.5m capital raising last year. Once on-boarding new sales resources becomes easier post-pandemic, we will continue to expand and deepen our sales reach. Our order book is at historically high levels, which we will take advantage of as COVID-19 restrictions are lifted.

Whilst COVID-19 has negatively impacted our business in 2020, we believe it will give rise to greater investments by governments across the globe in bed capacity. This will further increase the global demand for nurse call systems which can deliver more efficient and reliable workflow processes. We believe that Azure Healthcare is well placed to benefit from this growth in the industry in years to come.

Graeme Billings
Chairman

Azure Healthcare Limited

ABN 67 108 208 760

Financial Statements
For the year ended 30 June 2020

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Directors' Report

The Directors present their report for the year ended 30 June 2020.

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. Over his 12 years at Azure, he has held various roles including President of Azure Healthcare's operating subsidiary Austco Marketing & Services (USA) Ltd. Clayton has helped build Azure's reputation as a leader in the nurse call and clinical software solutions market and has been instrumental in the establishment of a Software Development Centre and manufacturing facility in Dallas, which is responsible for developing the Company's next generation products.

Clayton has over 17 years leadership experience in the healthcare technology industry and holds a diploma in Electronics Engineering.

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 one of Australia's largest tapware manufacturers, and the other a consumer finance Company. Brett is 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 2018, 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.

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	2,173,441	4,188,828*
Graeme Billings	289,114	-
Brett Burns	492,602	-
Anthony Glenning	975,758	-

* 1,396,276 of 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	16	16	4	4	1	1
Brett Burns	16	16	4	4	1	1
Clayton Astles	16	16	4	4	-	-
Anthony Glenning	16	15	4	4	1	1

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 Group during the financial year were:

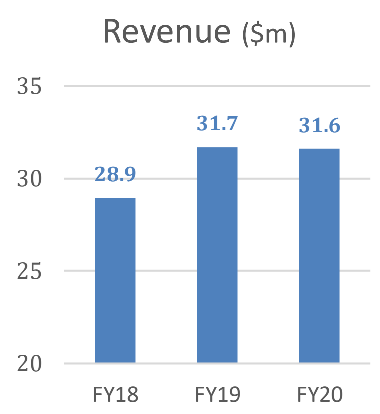
- Development of software and manufacture of hardware relating to healthcare and electronic communications systems.
- Global marketing and sales of electronic healthcare communication systems into established and new customers.

Operating and financial review

In a year of unprecedented challenges, Azure Healthcare ended FY20 with a statutory net profit after tax of $2.5 million. Included in the profit for the year was $1.4 million of grant Income arising from COVID-19 related government stimulus packages received from various jurisdictions in which the Group operates.

Revenues from customers

The year was one of two distinct halves. The first half saw revenue increase by 12% on the prior comparative period to $16.8 million as the Company successfully dealt with the challenges arising from the Trump administration's introduction of tariffs on Chinese goods imported to the US, where our manufacturing facility is located.



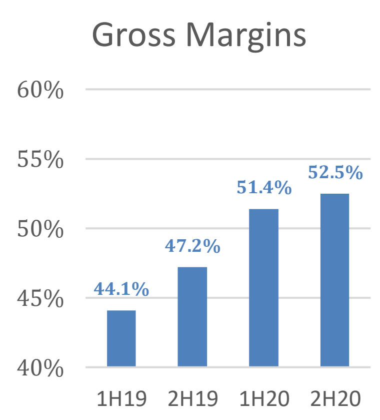
However, the second half was impacted by the COVID–19 pandemic which initially disrupted our supply chain, and then as the virus spread, we observed increased regional isolation protocols. Non-essential personnel at healthcare facilities and hospitals were restricted, therefore inhibiting our ability to get system and product installers into operating and new customer sites. The second half sales performance was $14.8 million, an 11.7% decrease on first half sales revenue.

The COVID-19 restrictions to site access caused installation revenues to decline 31% in the second half compared to the first half. Equally, revenue from hardware was down 11%. On a positive note, revenues from Software and SMA's increased by 14% half-on-half.

Total FY20 revenues from customers ended at $31.6 million, 0.3% down on FY19 at $31.7 million.

Gross Margins on revenues from customers

Pleasingly, the efforts to improve production and suppliers' costs, instigated in 2019, has begun to deliver the intended benefits, with gross margin improvement from 45.7% in FY19 to 51.4% in the first half of FY20 and then to 52.7% in the second half of FY20 to end the full year at 52.0%.



The improved gross margins on consistent revenue allowed the company to increase gross margin dollars from $14.5 million in FY19 to $16.4 million in FY20.

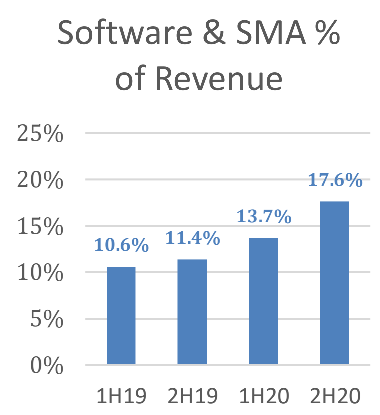
Margins increased as the Company worked through the issues arising from the Trump administration's impost of tariffs on a portion of our supply chain, our successful access to the resulting drawback program and most importantly by the continued increase of high margin software and SMA revenues.

Software and SMA revenues from customers

High margin software and SMA revenues form a key part of our strategic growth over the next few years as we transition from a hardware to a hardware and software business.

Software and SMA revenues increased by 40% in FY20 to $4.9 million. Software and SMA revenues increased from 11.0% of revenues from customers in FY19 to 15.5% of revenue from customers in FY20.

The table across highlights that our year-on-year growth has been driven by consistent growth half-on-half. Further investment into our R&D roadmap will see this revenue stream continue to grow as a proportion of total revenues, and the corresponding impact this has on gross margins will give rise to a more profitable company.



COVID-19 impact to business

The well documented pandemic continues to impact the business in all regions. These impacts were recognised quickly by the Company and while efforts were made to cut costs and conserve cash, action was also taken to divert product to regions with fewer restrictions limiting access to hospitals and healthcare facilities.

Whilst COVID-19 has introduced new challenges for the business, it has also presented the opportunity to re-enforce the infection control features of our products, which include antibacterial silicon buttons, dip-sterilizable features and spray-and-wipe maintenance and cleaning.

During the year the Company recognised $1.4 million of grant Income arising from government stimulus packages from five of the six regions in which it operates. All of this grant Income has been received by the Company at 30 June 2020. The Company will continue to benefit from stimulus packages in 1HFY21, but based on the current programs in place, it is likely to be materially less than FY20. However, as the impacts of COVID-19 remain and as second waves threaten certain countries it is possible that the current stimulus packages will be extended, as occurred in Singapore on 17 August 2020.

These second waves also place uncertainty on revenue for Q1FY21 largely due to site access restrictions, the extent and duration of which is difficult to forecast. However, we remain confident that impacts to revenue will be timing in nature, evidenced by the growth in our order book to historically high levels. Moreover, the Company believes the long-term investment into the global nurse call and workflow solutions market will accelerate further as governments and health care operators across the globe appreciate their relative underinvestment in infrastructure required to manage the COVID-19 threat, and future pandemics to come.

The health and safety of our employees and their families is our highest priority. To this end, we have implemented numerous precautions and protective measures including restricting travel and face-to-face meetings, implementing a global work from home policy and modifying workspaces to adhere to social distancing guidelines.

Capital Raising and Indirect Cost Base

During the year the Group raised $3.5 million from new and existing shareholders via a Placement ($2.0 million in November 2019) and a Rights Issues ($1.5 million in December 2019) for the following:

- Increase its strategic marketing and sales presence in international markets;
- Development of brand awareness; and
- Targeted purchases of certain materials that will reduce product lead times and allow for increased order quantities.

Whilst in the March 2020 quarter we had commenced with the above programs, they were halted as a result of COVID-19, together with the implementation of other costs saving measures, to reduce the cost base of the business.

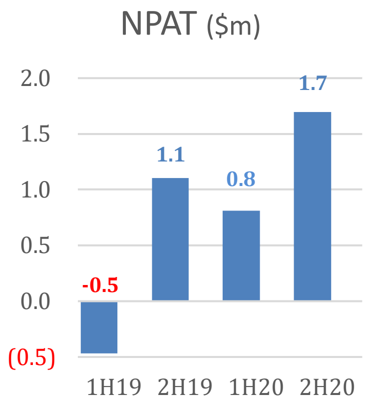
Directors' Report

As the Group was successful in accessing a number of government stimulus packages (with $1.44 million reported as Other Income in FY20) we were able to limit the cost saving initiatives to targeted areas to ensure that we maintained sufficient resources and capability to grow our sales pipeline and to take advantage of COVID-19 specific opportunities which arose in some markets.

Net Profit after Tax

Statutory NPAT is $2.5 million for FY20 compared to $0.6 million for FY19.

The second half NPAT of $1.7 million has benefited from COVID-19 stimulus packages to the extent of $1.4 million but it was affected by COVID-19 related deferral of revenues as outlined above.



Improved Cash and Working Capital Position

Cash on hand was $6.4 million as at 30 June 2020, up $4.5 million from June 2019. The significant improvement in the cash position was driven by the capital raising of $3.5 million undertaken during the year, in addition to $3.3 million of cash being generated from operating activities during the year. The successful adoption of drop shipment direct to customers' sites has driven a reduction in inventory holdings of $1.7 million, down to $5.2 million, which has released this cash for other initiatives.

The Company also repaid all debt facilities during the year.

Research & Development

Continued investment in research and development remains core to the future prospects of the Company. During FY20, the Company expended a further $3.7 million in research and development on its core Tacera flagship product as well as its Pulse Mobile and Enterprise Reporting software-based solutions. We believe this allows us to retain Tacera as a best in class product within its market.

In the last quarter of FY20, the Company successfully soft launched its new proximity enabled call points and staff badges that can facilitate real time location servicing via Bluetooth or RFID protocols with no third party hardware required.

This new technology enables the automation of workflow via with auto-presence and auto-cancellation of alarms, presence auto-logging of completed rounds, one touch mobile assistance with exact location notifications going directly into the Tacera solution and wireless notification devices.

The Company has also continued to focus on enhancing its market leading software suite with advanced clinical workflow, task management and business intelligence solutions.

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.

Directors' Report

The Future/Outlook

The Group believes one of the outcomes of COVID-19 on the global nurse call and workflow solutions market will be a recognition by numerous governments of their level of underinvestment and unpreparedness to manage the pandemic.

We believe the Group is extremely well placed to benefit from this market growth due to its broad coverage across multiple regions and its market leading products.

As mentioned above, some of the investments in marketing and sales capabilities that were planned uses of funds from the recent capital raising were paused once COVID-19 reached pandemic status. Whilst we are conscious of the opportunities this will present for our business moving forward, we appreciate the challenges that finding and on-boarding these marketing and sales capabilities will present in a COVID-19 affected environment. As such, we have not yet determined the best time to re-activate these initiatives.

Current and future demand is dominated by hospitals and assisted living facilities, which account for almost 90% of the current market and its forecast growth. While hospital systems tend to be more complex, assisted living facilities often require simpler systems, with Azure Healthcare's hardware and software able to service the different requirements of each. With its investment in innovation, 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. Our open sales order book remains strong despite recent challenges related to the COVID-19 pandemic.

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

There were no material events after the reporting date.

Likely future developments and expected results of operations

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

In financial year 20/21 we will continue to focus on the following key objectives and initiatives to improve our business:

- Invest in additional marketing and sales capabilities, especially in the North American and European markets;
- 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.

Environmental regulation

The Group'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 2020 (2019: Nil)

Shares under options

As at the date of this report, there were 10,297,527 unissued ordinary shares under options (11,497,527 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 2020 (2019: nil) and up to the date of this report on the exercise of options granted.

Insurance and indemnifying directors and officers

The Group 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 Group, other than conduct involving a wilful breach of duty in relation to the Group. 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 Group has a Directors & Officers Liability Insurance policy in place for all current and former officers of the Group and its controlled entities. The policy affords cover for loss in respect of liabilities incurred by Directors and Officers where the Group is unable to indemnify them and covers the Group 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.

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2020, 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

J Lonergan

Joanne Lonergan
Partner
27 August 2020

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	16,100
Assurance related	-
Special audits as required by jurisdictional regulators	-
Total	16,100

Taxation compliance services totalling $93,048 were paid to Ernst & Young Australia and its overseas affiliates (Note 24).

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 2020. 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 Group. The table below outlines the KMP of the Group and their movements during FY20:

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	Full financial year
Executive directors		
Clayton Astles	Managing Director/Chief Executive Officer	Full financial year
Senior executives		
Brendan Maher	Chief Financial Officer, Chief Operating Officer ANZ	Full financial year

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.

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 Group are detailed below.

Remuneration Report

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

The remuneration and reward strategy of the Group 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.

Remuneration Report

The remuneration and reward strategy of the Group 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 Group, 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 Group 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.

	2020 $'000	**2019 $'000**	**2018 $'000**	**2017 $'000**	**2016 $'000**
Revenue*	33,041	31,790	28,948	29,191	32,028
Profit/(Loss) for the year	2,504	637	1,194	(6,417)	(3,651)
Overall Earnings Per Share (cents)	0.96	0.27	0.51	(3.02)	(1.92)
Share price at year end	$0.075	$0.079	$0.06	$0.08	$0.05
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 2019 Annual General Meeting ("AGM")

At the 2019 AGM the majority of shareholders votes cast, 60.84%, were in favour of adopting the 2019 Remuneration Report. However, 39.16% of the votes cast were against the Remuneration Report, constituting a second strike under the *Corporations Act 2001*. The subsequent board spill resolution required to be held under the *Corporations Act 2001* failed to pass.

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 Group on retirement of an executive.
Termination by the Group	The Group 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 Group 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.

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

2020	**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	547,401	241,229	40,598	46,076	-	875,304	28%
Graeme Billings	77,626	-	-	-	7,374	85,000	0%
Brett Burns	63,927	-	-	-	6,073	70,000	0%
Anthony Glenning	63,927	-	-	-	6,073	70,000	0%
Other key management personnel:							
Brendan Maher	309,224	66,000	-	13,831	24,000	413,055	16%
	1,062,105	**307,229**	**40,598**	**59,907**	**43,520**	**1,513,359**	

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	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)(v)	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 D'Arcy's Other Benefits represent termination benefits

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	
	2020	**2019**		**2020**	**2019**
Clayton Astles	88%	60%		12%	40%
Brendan Maher	100%	71%		0%	29%
Jason D'Arcy	-	50%		-	50%
Mike Read	-	0%		-	100%

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 2020:

Name	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	2,792,552	1,396,276*	-	-	4,188,828
Brendan Maher	2,094,414	1,047,207	-	-	3,141,621
	4,886,966	**2,443,483**	**-**	**-**	**7,330,449**

* The options over ordinary shares granted during the year 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 2020 included:

Model Input	**Series 4**
Grant Date	12 February 2020
Expiry Date	12 February 2024
Exercise Price	13 cents
Share Price at Grant Date	8.8 cents
Expected Volatility	79%
Risk Free Interest Rate	0.93%

Remuneration Report

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 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%

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

	2020 Number	**2020 $**		**2019 Number**	**2019 $**
Graeme Billings	-	-		-	-
Brett Burns	-	-		-	-
Clayton Astles	4,188,828	$46,076		2,792,552	$3,472
Anthony Glenning	-	-		-	-
Brendan Maher	3,141,621	$13,831		2,094,414	$2,604
	7,330,449	**$59,907**		**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 2020.

Options Holdings

Number of options held by Directors and Key Management Personnel:

2020	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	2,792,552	1,396,276*	-	-	4,188,828	4,188,828
Anthony Glenning	-	-	-	-	-	-
Brendan Maher	2,094,414	1,047,207	-	-	3,141,621	3,141,621
	4,886,966	**2,443,483**	**-**	**-**	**7,330,449**	**7,330,449**

* The options over ordinary shares granted as compensation during the year to Mr Astles are granted subject to shareholder approval, which is sought each year 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 2019	Received as Compensation	Net Change Other	Balance 30 June 2020
Graeme Billings	266,667	-	22,447	289,114
Brett Burns	300,629	-	191,973	492,602
Clayton Astles	1,681,870	-	491,571	2,173,441
Anthony Glenning	900,000	-	75,758	975,758
Brendan Maher	659,824	-	1,000,276	1,660,100
	3,808,990	**-**	**1,782,025**	**5,591,015**

7. Other transactions with key management personnel

	2020 $'000	2019 $'000
Legal fees paid to CBW Partners, a firm controlled by Mr Brett Burns, for legal services rendered at rates equal to or better than CBW Partners usual commercial rates in respect of legal services provided.	56	10

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

Chief Executive Officer
Dated this 27th day of August 2020, Melbourne

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	Group 2020 $'000	2019 $'000
Revenues	2	31,598	31,697
Other income	2	1,443	93
Cost of sales		(15,157)	(17,210)
Gross Profit		**17,884**	**14,580**
Employee Benefits Expense	3	(10,538)	(9,430)
Motor Vehicle Expenses		(112)	(152)
Occupancy Expenses		(297)	(455)
Depreciation and Amortisation Expenses	3	(912)	(438)
Accounting, Audit and Legal Fees		(988)	(982)
Allowance for expected credit loss		(8)	(16)
Finance Costs	3	(91)	(33)
Travel Expenses		(806)	(1,167)
Other Expenses		(1,482)	(1,820)
Total Overhead Expenses		(15,234)	(14,493)
Profit/(Loss) Before Income Tax		**2,650**	**87**
Income tax Benefit/(Expense)	5	(146)	550
Profit/(Loss) after income tax		2,504	637
Profit/(Loss) for the Year Attributable to Members		**2,504**	**637**
Other Comprehensive Income			
Items that may be reclassified subsequently to Profit or Loss			
Exchange difference arising on translation of foreign operations		(184)	381
Total comprehensive income/(loss)		2,320	1,018
Total Comprehensive Income/(loss) for the Year Attributable to Members of Azure Healthcare Limited		**2,320**	**1,018**
Earnings per share		**Cents**	**Cents**
Basic (loss)/per share	16	0.96	0.27
Diluted (loss)/per share	16	0.96	0.27

* The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	Group 2020 $'000	Group 2019 $'000
Current Assets			
Cash and cash equivalents	6	6,447	1,945
Trade and other receivables	7	4,936	6,919
Inventories	8	5,246	6,931
Other assets	9	1,510	886
Total Current Assets		**18,139**	**16,681**
Non-Current Assets			
Plant and equipment	10	453	394
Right-of-use assets	1	845	-
Deferred tax assets	5(c)	774	696
Intangible assets	11	2,881	1,955
Total Non-Current Assets		**4,953**	**3,045**
Total Assets		**23,092**	**19,726**
Current Liabilities			
Trade and other payables	12	4,936	8,035
Short term borrowings	13	26	277
Current tax liabilities		219	80
Lease liabilities	1	301	-
Provisions	14	772	782
Total Current Liabilities		**6,254**	**9,174**
Lease liabilities	1	565	-
Provisions	14	15	17
Total Non-Current Liabilities		**580**	**17**
Total Liabilities		**6,834**	**9,191**
Net Assets		**16,258**	**10,535**
Equity			
Contributed Equity	15	41,435	38,076
Option Reserves	15	69	8
Foreign Exchange Reserve	15	(499)	(315)
Accumulated Losses		(24,747)	(27,234)
Total Equity		**16,258**	**10,535**

* The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
for the year ended 30 June 2020

	Issued Capital	Option Reserve	Accumulated Losses	Foreign Exchange Reserve	Total Equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2018	38,076	-	(27,871)	(696)	9,509
Profit 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 equity holders:					
Transfer to/from reserves	-	8	-	-	8
Balance at 30 June 2019	**38,076**	**8**	**(27,234)**	**(315)**	**10,535**
Balance at 1 July 2019, as previously reported	38,076	8	(27,234)	(315)	10,535
Impact of change in accounting policy (note 1)			(17)		(17)
Adjusted balance at 1 July 2019	**38,076**	**8**	**(27,251)**	**(315)**	**10,518**
Profit after income tax expense for the year	-	-	2,504	-	2,504
Other comprehensive income for the year, net of tax	-	-	-	(184)	(184)
Total comprehensive income for the year	-	-	2,504	(184)	2,320
Transactions with owners in their capacity as equity holders:					
Issue of Shares (note 15)	3,359	-	-	-	3,359
Transfer to/from reserves	-	61	-	-	61
Balance at 30 June 2020	**41,435**	**69**	**(24,747)**	**(499)**	**16,258**

* The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	Notes	Group 2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Receipts from Customers (inclusive of GST)		33,573	30,943
Payments to Suppliers and Employees (inclusive of GST)		(31,567)	(29,431)
Grant Income received		1,465	-
Interest Received		4	4
Finance Costs		(91)	(33)
Income Tax Paid		(85)	(63)
Net Cash From/(used) by Operating Activities	19(a)	**3,299**	1,420
Cash Flows from Investing Activities			
Payments for Acquisition of Property, Plant, Equipment & Intangible Assets		(1,513)	(1,339)
Net Cash From/(used) in Investing Activities		**(1,513)**	(1,339)
Net Cash From Operating and Investing Activities		**1,786**	81
Cash Flows from Financing Activities			
Proceeds from Issue of Shares		3,359	-
Proceeds from borrowings		15	-
Repayment of borrowings		(266)	(378)
Payment of lease liabilities		(326)	-
Net Cash Provided/(used) by Financing Activities		**2,782**	(378)
Net Increase in Cash and Cash Equivalents		**4,568**	(297)
Cash and Cash Equivalents at Beginning of the Year		1,945	2,307
Effects of exchange rate changes on cash		(66)	(65)
Cash and Cash Equivalents at End of the Year	6	**6,447**	1,945

* 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 26 August 2020. 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.

New Accounting Standards adopted by the Group

The Group applies, for the first time, AASB 16 Leases from 1 July 2019.

AASB 16 supersedes AASB 117 'Leases', AASB Interpretation 4 'Determining whether an arrangement contains a Lease', AASB Interpretation 115 'Operating Leases Incentive' and AASB Interpretation 127 'Evaluating the Substance of Transactions Involving the legal form of a Lease.

Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in Overhead Expenses) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. Expenses for these leases would have been recorded under Occupancy expenses prior to the adoption of AASB 16. After adoption of AASB 16, the Group's cash flows from operating activities will include payments for the interest portion of lease payments (included in Borrowing Costs) and cash flows from financing will include repayment of the principal portion of the lease liabilities.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach with the date of initial application of 1 July 2019 and as such the comparatives have not been restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application, and to account for leases with a remaining lease term of 12 months or less from 1 July 2019 similar to short-term leases. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

Assets	$'000
Right-of-use assets	1,121
Total assets	**1,121**
Liabilities	
Current Lease Liabilities	300
Non-Current Lease Liabilities	838
Total liabilities	**1,138**
Total adjustment on equity:	
Retained earnings	(17)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has lease contracts for various items of plant, vehicles and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied but discounted using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	1 July 2019 $'000
Operating lease commitments as at 1 July 2019 (AASB 117)	**1,374**
Less:	
Commitments relating to short-term leases	(39)
Commitments relating to leases of low-value assets	(3)
Operating lease commitments discount based on the weighted average incremental borrowing rate of 7.72% (AASB16)	(194)
Lease liabilities as at 1 July 2019	**1,138**

Summary of new accounting policies

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the right-of-use asset is depreciated over its useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. Variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Lease liabilities are measured at amortised cost using the effective interest method.

The carrying amounts of lease liabilities are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee amount; lease term; assessment to purchase the underlying asset and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

The Group has not included the renewal period as part of the lease term for leases of rented properties due to the expected availability of replacement right-of-use assets in the future at competitive rates. The non-discounted future cash outflows relating to options to renew for extended lease terms the Group is potentially exposed to that are not reflected in the measurement of lease liabilities is estimated to be $479,000.

Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use Assets				Lease Liabilities
	Properties	Motor Vehicles	Other equipment	Total	
	$'000	$'000	$'000	$'000	$'000
As at 1 July 2019	**1,009**	**61**	**51**	**1,121**	**1,138**
Additions	85	-	-	85	45
Depreciation expense	(322)	(33)	(15)	(370)	-
Interest expense	-	-	-	-	77
Payments	-	-	-	-	(403)
Foreign Exchange	9	(1)	1	9	9
As at 30 June 2020	**781**	**27**	**37**	**845**	**866**
Current Lease Liabilities					*301*
Non-Current Lease Liabilities					*565*

Set out below, are the amounts recognised in profit or loss for the 12 months ended 30 June 2020*:

	$'000
Depreciation expense of right-of-use assets	370
Interest expense on lease liabilities	77
Rent expense - short-term leases	78
Rent expense - leases of low-value assets	1
Rent expense - variable lease payments	218
Total amounts recognised in profit or loss	**744**

*The Group has elected the modified retrospective approach thus the comparative Profit or loss is not restated and therefore is not disclosed above.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern

The consolidated entity reported a profit after tax of $2.5m (2019: $0.64m), has had cash inflows from operating and investing activities of $1.78m (2019: $0.08m) for the year ended 30 June 2020 and cash and cash equivalents at 30 June 2020 was $6.45m (2019: $1.95m). Included in current borrowings at note 13 is an amount owing of $0.03m (2019: $0.28m).

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

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 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. 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 Group in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated:

(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 Group 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 2020, the carrying amount of capitalised development costs was $2,880,703. (2019: $1,955,038)

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The Group assesses expected credit loss regularly. The allowance for expected credit loss represents management's estimate of the Group's credit loss risk as at 30 June 2020 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 2020, the allowances for doubtful debts was $24,384 (2019: $16,271).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ALLOWANCE FOR WARRANTY PROVISION

The Group 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 Group has made an allowance for future warranty claims based on historical claims experience and management's estimate of the Group's potential claims as at 30 June 2020. At 30 June 2020, the allowance for warranty provision was $256,153 (2019: $210,216).

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 Group 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.

JUDGEMENT INCLUDED IN GRANT INCOME

Included in the profit for the year was $1.4 million of grant Income arising from COVID-19 related government stimulus packages received from various jurisdictions in which the Group operates. This includes forgivable loans, where the group considers there is reasonable certainty that the entity will meet the terms for forgiveness.

RECOGNITION OF DEFERRED TAX ASSET

The Group 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 Group recognises a Deferred Tax Asset. In the year to 30 June 2020 the Group did not recognise any additional Deferred Tax Assets (2019: $600,000) as outlined in Note 5.

(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 2020 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' or the 'Group'.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 aligned where necessary to ensure consistency with the policies adopted by the Group.

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 Group 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 Group 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

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).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income Tax (continued)

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 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 Group/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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 AASB 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.

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 cash and cash equivalents and trade receivables.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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:

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 AASB 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 AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) (ii) Financial liabilities (continued)

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.

(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

Refer to Note 1 - New Accounting Standards adopted by the Group, for the Company's new accounting policy for Leases.

(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 Group 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 Group'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 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

Revenue from customers 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.

Revenue from the sale of inventory is recognised at the point in time when control of the asset is transferred to the customer.

Revenue from the rendering of a service, primarily the installation of the nurse call systems, is recognised upon the delivery of the service to the customer using an input method to measure progress towards complete satisfaction of the service, as the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from software contracts or service and maintenance agreements (SMA's). 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, are recognised over time, using an input method to measure progress towards complete satisfaction of the service as the customer simultaneously receives and consumes the benefits provided by the Group. Note 12 includes deferred revenue (Contract Liabilities) relating to these SMA's and finite time period Software sales.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Grant Income is recognised once there are reasonable grounds that the Group will comply with the conditions attached to the grant and is recognised over the period to which the grant relates.

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 Group 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 asset's 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

(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 Group for the annual reporting period ended 30 June 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 101 Presentation of Financial Statements

The AASB issued a narrow-scope amendment to AASB 101 Presentation of Financial Statements to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Management is yet to complete its assessment of the likely impact on the Group's financial statements, although it is likely to only impact the classification of the Group's Provision for Warranty.

The revised standard will apply to the Group from its reporting period commencing 1 July 2023.

NOTE 2: REVENUE FOR THE YEAR

	2020 $'000	2019 $'000
Continuing Operations		
Revenue from contracts with customers	31,598	31,697
Other income		
- Interest Received	4	4
- Grant Income	1,419	-
- Other Income	-	6
- Foreign Exchange Gain/(loss)	20	83
	1,443	**93**
Total Revenue	**33,041**	**31,790**

Revenue from Contracts with Customers, 12 months to June 2020	**Equipment**	**Installation**	**Software/SMA**	**Total**
Type of Good or Service	**$000**	**$000**	**$000**	**$000**
Sale of equipment	20,455	-	-	20,455
Installation services	-	6,243	-	6,243
Software & Maint. Agreements	-	-	4,900	4,900
Total	**20,455**	**6,243**	**4,900**	**31,598**
Geographical Markets				
Australia/New Zealand	8,340	957	893	10,190
North America	7,745	4,596	3,159	15,500
Europe	1,695	541	159	2,395
Asia	2,675	149	689	3,513
Total	**20,455**	**6,243**	**4,900**	**31,598**
Timing of revenue recognition				
Goods transferred at a point in time	20,455	-	2,607	23,062
Services transferred over time	-	6,243	2,293	8,536
Total	**20,455**	**6,243**	**4,900**	**31,598**

NOTE 2: REVENUE FOR THE YEAR (continued)

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**

Set out below is the amount of revenue recognised from:

	2020	2019
	$'000	**$'000**
Amounts included in contract liabilities at the beginning of the year or partially satisfied in previous year	598	193

NOTE 3: EXPENSES FOR THE YEAR

	2020 $'000	2019 $'000
Finance Costs		
- interest expense	91	33
Depreciation and Amortisation of Non Current Assets		
- plant and equipment	559	244
- amortisation of development costs	353	194
	912	**438**
- Loss on Disposal	2	28
	914	**466**
Foreign currency translation gain/(loss)	20	83
Rental Expenses on Operating Leases		
- minimum lease payments	297	455
Employee Expenses		
Direct Labour Wages (included in Cost of Sales)	411	390
Other employees' wages and benefits expense	10,279	9,171
Superannuation contributions	255	260
Share based payment	61	8
Total Employee Expenses excluding direct labour	10,538	9,430
Research and development expenditure before Capitalisation	3,724	3,579
Capitalisation of development costs	(1,275)	(1,190)
Net research and development expense	2,449	2,389
Increase in warranty provision	119	254
Increase in inventory provision	309	159
Increase in expected credit loss provision	8	16

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 Group's financial statements. Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. 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 Group 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 Group. These transfers are eliminated on consolidation.

Revenue earned from external customers in Australia (the Group's country of domicile) for the year ended 30 June 2020 is $5,027k (2019: $6,557k).

	Aust & NZ $'000	Asia $'000	Europe $'000	North America $'000	Total $'000	Eliminations Inter Company $'000	Corporate $'000	Company Total $'000
2020								
Revenue – external	10,188	3,514	2,395	15,501	31,598	-	-	31,598
Revenue – intersegment	113	12	2	7,430	7,557	(7,557)	-	-
Interest Revenue	79	-	-	-	79	(75)	-	4
Total Revenue	10,380	3,526	2,397	22,931	39,234	(7,632)	0	31,602
Adj EBITDA	2,184	27	(12)	2,107	4,306	(257)	(396)	3,653
Depreciation	(108)	(105)	(68)	(278)	(559)	-	-	(559)
Amortisation	-	-	-	(353)	(353)	-	-	(353)
EBIT	2,076	(78)	(80)	1,476	3,394	(257)	(396)	2,741
Interest Expense	(10)	(14)	(13)	(132)	(169)	83	(5)	(91)
Income Tax	(146)	-	2	(2)	(146)	-	-	(146)
NPAT	1,920	(92)	(91)	1,342	3,079	(174)	(401)	2,504
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
Segment Assets								
30/06/2019	23,187	1,738	1,189	11,602	37,716	(26,246)	8,256	19,726
30/06/2020	28,133	1,870	1,413	13,835	45,251	(33,193)	11,034	23,092
Segment Liabilities								
30/06/2019	3,681	1,432	544	21,355	27,012	(18,064)	243	9,191
30/06/2020	6,954	1,652	873	21,928	31,407	(24,575)	2	6,834

NOTE 5: INCOME TAX EXPENSE

	2020 $'000	2019 $'000
(a) Income Tax Recognised in Profit or Loss		
Current tax expense	223	50
Recognition of Deferred Tax (Asset)	(81)	(600)
Prior year under / over	4	-
Total Income Tax Expense / (Benefit)	**146**	**(550)**

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:

	2020	2019
Profit from continuing operations	2,650	87
Income tax expense calculated at 27.5% (2019: 27.5%)	729	24
Non-deductible expenses	18	4
Non-assessable income	(117)	-
Other	-	(6)
Impact of change in corporate tax rate	(5)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(124)	83
Utilisation of unrecognised tax losses	31	231
Utilisation of prior year losses and R&D offsets previously not recognised	(390)	(286)
Amount recognised for prior period	4	-
	146	50
Recognition of DTA on R&D offsets	-	600
Total Income Tax (Benefit) / Expense	146	(550)

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. The impact of change in corporate tax rate noted above is derived from the difference between the current corporate tax rate of 27.5% and the expected new tax rate of 26% (effective from 1 July 2020) applied to the deferred tax asset (liability) calculation. Overseas jurisdictions have differing corporate tax rates.

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

The following summarises the Group'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 2020	
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	-	992
Canada	-	1,678	-
New Zealand	-	-	-
Singapore	-	835	-
UK	-	58	-
US	-	5,490	520
TOTAL	600	**8,061**	**1,512**

NOTE 5: INCOME TAX EXPENSE (CONTINUED)

	2020 $'000	2019 $'000
(c) Deferred Tax Balances		
Deferred tax assets comprise temporary differences arising from the following:		
Provisions	158	119
Accruals	103	103
Carried forward Tax Losses	600	600
Non refundable tax offsets	188	188
Leases	3	-
	1,052	**1,010**
Deferred tax liabilities comprise temporary differences arising from the following:		
Other	(278)	(314)
Net deferred tax asset	**774**	**696**

NOTE 6: CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Current		
Cash at bank and in hand	6,447	1,945
	6,447	**1,945**

NOTE 7: TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Current		
Trade receivables	4,960	6,935
Less: Allowance for expected credit losses	(24)	(16)
	4,936	**6,919**

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 2020	
Group	**Gross $'000**	**Expected Credit Loss $'000**	**Net Receivables $'000**
0 - 30 days	3,762	-	3,762
30 - 60 days	332	-	332
60 - 90 days	141	(3)	138
Over 90 days	725	(21)	704
Closing Balance	**4,960**	**(24)**	**4,936**

		As at 30 June 2019	
Group	**Gross $'000**	**Allowance $'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**

Allowance for Expected Credit Losses

	2020 $'000	2019 $'000
Opening balance	16	-
Foreign exchange impact	1	-
Additional provision	8	16
Amounts recovered	(1)	-
Closing Balance	**24**	**16**

The Group 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 Group'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 2020, the allowances for expected credit loss was $24,384 (2019: $16,271).

NOTE 8: INVENTORIES

	2020 $'000	2019 $'000
Current		
Finished goods on hand - at cost	2,799	3,096
Finished goods provision	(383)	(314)
Finished goods on hand at recoverable amount	2,416	2,782
Raw materials on hand – at cost	3,214	4,293
Raw materials provision	(388)	(145)
Raw materials on hand at recoverable amount	2,826	4,148
Work in progress	4	1
Total Inventory carrying amount at end of year	**5,246**	**6,931**

The amount of inventories recognised as an expense during the period is $10.81m (2019: $12.13m).

The Group 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

	2020 $'000	2019 $'000
Current		
Prepayments	955	727
Contract assets	141	81
Other	414	78
	1,510	**886**

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 2019	195	837	80	209	1,509	2,830
Foreign Exchange Difference	1	-	1	2	(2)	2
Additions	-	80	21	1	132	234
Disposal	(100)	(352)	-	-	(305)	(757)
Cost at 30 June 2020	**96**	**565**	**102**	**212**	**1,334**	**2,309**
Accumulated Depreciation at 1 July 2019	195	759	55	160	1,267	2,436
Foreign Exchange Difference	1	-	-	2	(9)	(6)
Additions	-	26	21	8	123	178
Disposal	(100)	(352)	-	-	(300)	(752)
Accumulated Depreciation at 30 June 2020	**96**	**433**	**76**	**170**	**1,081**	**1,856**
Net Book Value at 30 June 2019	**-**	**78**	**25**	**49**	**242**	**394**
Net Book Value at 30 June 2020	**-**	**132**	**26**	**42**	**253**	**453**

NOTE 11: INTANGIBLE ASSETS

	2020	2019
	$'000	**$'000**
Product development	5,784	4,508
Less: accumulated amortisation	(2,903)	(2,553)
Total Intangibles	**2,881**	**1,955**

Movement in Carrying Amounts	**2020**	**2019**
	$'000	**$'000**
Balance at beginning	1,955	742
Additions	1,275	1,346
Foreign exchange variation	4	61
Amortisation	(353)	(194)
Balance at end	**2,881**	**1,955**

NOTE 12: TRADE AND OTHER PAYABLES

	2020	2019
Current	**$'000**	**$'000**
Trade and other payables	2,453	5,386
Income in advance	1,374	901
Indirect taxes payable	1,109	1,748
	4,936	**8,035**

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

NOTE 13: BORROWINGS

	2020	2019
	$'000	**$'000**
Current		
Other current liabilities	26	46
Non secured debt	-	118
Fully Drawn Advance	-	113
	26	**277**

The fully drawn advance facility was secured by a registered mortgage debenture over all assets and undertakings of Azure Healthcare Limited and its related entities and has now been released with the wind up of the facility during the current reporting period.

Non secured debt related to Insurance Premium Funding of the Group's annual insurance renewal program in the prior reporting period. During the current reporting period the Group did not utilise any Insurance Premium Funding arrangements.

NOTE 14: PROVISIONS

	2020 $'000	2019 $'000
Current		
Employee Entitlements	476	572
Make Good on Premises Leases	40	-
Warranty Allowance	256	210
	772	**782**
Non current		
Employee entitlements	15	17
	15	**17**

(a) Movement in Current Provisions

2020	Employee Entitlements $'000	Make Good $'000	Warranty Allowance $'000	Total $'000
Carrying amount at 1 July 2019	572	-	210	782
Additional provisions	457	40	116	613
Amounts incurred and or charged against provision	(553)	-	(70)	(623)
Carrying amount at 30 June 2020	**476**	**40**	**256**	**772**

(b) Movement in Non Current Provisions

2020	Employee Entitlements $'000	Total $'000
Carrying amount at 1 July 2019	17	17
Additional provisions	9	9
Amounts incurred and or charged against provision	(11)	(11)
Carrying amount at 30 June 2020	**15**	**15**

NOTE 15: ISSUED CAPITAL AND OPTION RESERVE

	Note	2020 $'000	2019 $'000
Ordinary shares fully paid	15(a)	41,435	38,076
		41,435	**38,076**

(a) Movement in Ordinary Shares on Issue

2020	No. of shares	Price	$'000
At the beginning of the reporting period:	**232,712,827**		**38,076**
Placement Issue of Shares	29,411,764	$0.068	2,000
Rights Offer Issue of Shares	22,064,360	$0.068	1,500
Transaction costs	-		(141)
At Reporting Date	**284,188,951**		**41,435**

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**

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

	2020 No. of options	2020 $'000	2019 No. of options	2019 $'000
At the beginning of the reporting period:	7,832,306	8	8,200,000	-
Options exercised during the year	-	-	-	-
Options forfeited during the year	-	-	(7,000,000)	-
Options granted during the year (i)	3,665,221	-	6,632,306	-
Transfer to accumulated losses	-	-	-	-
Share based payment expense	-	61	-	8
At Reporting Date	**11,497,527**	**69**	**7,832,306**	**8**

(i) 1,396,276 options issued in 2020 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 Group to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.
Management effectively manages the Group's capital by assessing the Group'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.

	2020	2019
	$'000	$'000
Total borrowings	26	277
Less cash and cash equivalents	(6,447)	(1,945)
Net (Cash)/Debt	**(6,421)**	**(1,668)**
Total equity	16,258	10,535
Total capital	**9,837**	**8,867**
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

	2020	2019
	$'000	$'000
Overall operations		
Profit/(Loss) for the year attributable to members of Azure Healthcare Limited	2,504	637
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	262,187,954	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	262,187,954	234,947,490
Overall Earnings per share		
Basic earnings per share (cents per share)	0.96	0.27
Diluted earnings per share (cents per share)	0.96	0.27

NOTE 17: SHARE BASED PAYMENTS

The Company established its Employee Share Scheme as a means to reward employees for their contribution to the Group. All employee options are unlisted and non-transferable. Options are granted 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
Series 4	12 Feb 2020	12 Feb 2024	$0.088	$0.13	79%	Nil	0.93%	$0.04

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 2020 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	3,316,153
Series 3	19 March 2019	17 March 2023	$0.13	3,316,153
Series 4	12 February 2020	12 February 2024	$0.13	2,268,945
			Sub Total	10,101,251
Options to be issued subject to shareholder approval				
Series 4	12 February 2020	12 February 2024	$0.13	1,396,276
			Total	11,497,527

Vesting conditions for the options are the following:

Series	Vesting Conditions	Probability of vesting 2020	Probability of vesting 2019
1	• 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	0%	0%
2	• years from the grant date; and • Conditional on remaining employed by the Group	100%	100%
3	• years from the grant date; and • Conditional on remaining employed by the Group	100%	100%
4	• years from the grant date; and • Conditional on remaining employed by the Group	100%	-

NOTE 17: SHARE BASED PAYMENTS (continued)

	Note	2020 Number of Options	2020 Weighted Average Exercise Price $	2019 Number of Options	2019 Weighted Average Exercise Price $
Outstanding at the beginning of the year		7,832,306	0.125	8,200,000	0.182
Exercised	15	-	-	-	-
Granted	15	3,665,221	0.130	6,632,306	0.115
Forfeited	15	-	-	(7,000,000)	-
Outstanding at year end		11,497,527	0.127	7,832,306	0.125
Exercisable at year end		-	-	-	-

The options outstanding at 30 June 2020 have a weighted average exercise price of 12.7 cents and an average remaining contractual life of 2.44 years.

NOTE 18: DIVIDENDS AND FRANKING CREDITS

	2020 $'000	2019 $'000
Amount of franking credits available for subsequent reporting periods:		
- franking account balance as at the end of the financial year at 27.5% (2019: 27.5%)	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: CASH FLOW INFORMATION

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

	2020 $'000	2019 $'000
(Loss)/Profit after income tax	2,504	637
Non Cash Flows in profit or loss		
Depreciation and amortisation	912	438
Loss on disposal of property, plant and equipment	5	28
Share based payments expense	61	8
Expected credit loss	8	-
Net foreign exchange difference	(1)	41
Non Cash Flows in profit or loss	985	515
Changes in Assets and Liabilities		
Decrease/(Increase) in trade and other receivables	1,983	(636)
Decrease/(Increase) in prepayments and other assets	(624)	89
Decrease/(Increase) in inventories	1,501	(881)
Decrease/(Increase) in deferred tax assets	(43)	(637)
Increase/(Decrease) in trade and other creditors	(3,099)	2,015
Increase/(Decrease in provisions	(12)	288
Increase/(Decrease) in income taxes payable	139	34
Increase/(Decrease) in deferred tax liabilities	(35)	(4)
	(190)	268
Net Cash Used in Operating Activities	**3,299**	**1,420**

(b) Credit Standby Arrangements with Banks

The Group does not have access to any financing facilities at reporting date as indicated below.

	2020 $'000	2019 $'000
Secured Bank Loan Facility		
- amount used	-	113
- amount unused	-	-
	-	**113**
Unsecured Bank Loan Facility		
- amount used	-	118
- amount unused	-	-
	-	**118**
Total Bank Facilities	**-**	**231**

NOTE 20: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%) 2020	2019
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: 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 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

	2020 $	2019 $
Summary		
Short term employee benefits	1,409,932	1,987,200
Post employment benefits	43,520	35,999
Share Based Payments	59,907	6,076
	1,513,359	**2,029,275**

NOTE 22: 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 21 and the Remuneration Report.

Transactions with related parties:

	2020 $'000	2019 $'000
Legal fees paid to CBW Partners, a firm controlled by Mr Brett Burns, for legal services rendered at rates equal to or better than CBW Partners usual commercial rates in respect of legal services provided.	56	10

NOTE 23: FINANCIAL INSTRUMENTS

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

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

Interest Rate Risk

The Group'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
			2020			
Financial Assets						
Cash and cash equivalents	0.10%	6,447	-	-	-	6,447
Trade and other receivables	-	-	4,936	-	-	4,936
Total		**6,447**	**4,936**	**-**	**-**	**11,383**
Financial Liabilities						
Trade and other payables	-	-	4,936	-	-	4,936
Lease liability	7.72%	866	-	-	-	866
Other current liabilities	0.00%	26	-	-	-	26
Total		**892**	**4,936**	**-**	**-**	**5,828**

NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)

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
			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**

At 30 June 2020 the Group 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)	
	2020	**2019**	**2020**	**2019**
Interest	**$'000**	**$'000**	**$'000**	**$'000**
+10%	1	-	-	2
-10%	(1)	(-)	(-)	(2)

Risk Exposure and Responses

The Group's exposure to market interest rates relates primarily to the Group'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 23: FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

		2020	2019
Financial Assets		**$'000**	**$'000**
Current assets (inc. cash and trade receivables)	USD	3,398	2,637
	NZD	1,079	721
	CAN	1,695	1,955
	GBP	923	853
	SGD	1,255	1,031
Financial Liabilities			
Current liabilities (inc. trade and other payables)	USD	763	6,088
	NZD	157	166
	CAN	69	1,111
	GBP	489	337
	SGD	1,156	1,110

Fair Value Measurement

The carrying amounts of cash and cash equivalent, 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 Group 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 Profit Higher/(Lower)		Equity Higher/(Lower)	
	2020	**2019**	**2020**	**2019**
Group	**$'000**	**$'000**	**$'000**	**$'000**
AUD/USD +10%	(29)	163	(651)	595
AUD/USD -10%	29	(163)	651	(595)
AUD/NZD +10%	(84)	(81)	(103)	(160)
AUD/NZD -10%	84	81	103	160
AUD/CAN +10%	(117)	(7)	(127)	255
AUD/CAN -10%	117	7	127	(255)
AUD/GBP +10%	(24)	(27)	(47)	(65)
AUD/GBP -10%	24	27	47	65
AUD/SGD +10%	(19)	(20)	(20)	(30)
AUD/SGD -10%	19	20	20	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 23: FINANCIAL INSTRUMENTS (CONTINUED)

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

Price Risk

The Group's exposure to raw material commodities is minimal.

Liquidity Risk

The Group manages liquidity risk by monitoring cash flow, maintaining sufficient liquid assets (mainly cash and cash equivalents) and has maintained borrowing facilities to be able to pay debts as and when they become due and payable.

Remaining contractual maturities

The following tables detail the Group'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
			2020			
Non interest bearing						
Trade and other payables		4,936	-	-	-	4,936
Other current liabilities		26	-	-	-	26
Interest bearing						
Lease liability	7.72%	354	289	271	-	914
Total		**5,316**	**289**	**271**	**-**	**5,876**

NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)

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
			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: AUDITORS REMUNERATION

	2020	2019
Audit or Review of Financial Reports	**$**	**$**
- Ernst & Young Australia	201,842	121,141
- Ernst & Young related practices	64,991	105,690
- BDO International[1]	-	10,587
Total remuneration for audit services	266,833	237,418
Tax Compliance Services		
- Ernst & Young Tax Services	93,048	154,608
Total remuneration for tax services	93,048	154,608
Total Remuneration	**359,881**	**392,026**

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

NOTE 25: 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 26: CONTINGENT LIABILITIES AND ASSETS

Outstanding Bank Guarantees

Outstanding bank guarantees held as at 30 June 2020 amounted to $18,838 (2019: $18,838), being a financial guarantee relating to the lease of the registered office at 1/31 Sabre Drive, Port Melbourne.

NOTE 27: PARENT ENTITY INFORMATION

The following information related to the parent entity, Azure Healthcare Limited as at 30 June 2020. This information has been prepared using consistent accounting policies as presented in Note 1.

	Parent Entity	
	2020	**2019**
	$'000	**$'000**
Current assets	5,117	2,338
Non current assets	5,917	5,917
Total Assets	**11,034**	**8,255**
Current liabilities	2	243
Non current liabilities	-	-
Total Liabilities	**2**	**243**
Net Assets	**11,032**	**8,012**
Issued Capital	41,435	38,076
Accumulated losses	(30,472)	(30,072)
Option Reserve	69	8
Total Equity	**11,032**	**8,012**
Loss for the year	(400)	(397)
Total comprehensive income for the year	**(400)**	**(397)**

Contingent Liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

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 2020 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 Group 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 2020, 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 27th day of August 2020, Melbourne

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2020, 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 2020 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 (including Independence Standards)* (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 $31.5 million in revenue from its global operations for the year ended 30 June 2020. 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. Judgement is required in assessing when revenue is recognised. Notes 1 and 2 of the financial report contain the Group's accounting policies with respect to revenue recognition by product and service and associated revenue disclosures.	Our audit procedures included the following: ► Selected a sample of revenue transactions and assessed whether revenue recognised was in accordance with Australian Accounting Standards with reference to 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 investigated 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 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	How our audit addressed the key audit matter
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 2020 was $2.8 million including $1.3 million capitalised in the current year. 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. 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 amortisation rate. Refer to Note 1(i) and Note 11 for the Group's accounting policy and disclosures relating to capitalised product development costs.	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 requirements of 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 applied 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 2020 the Group has \$0.6 million of recognised and \$8.1 million of unrecognised 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 Notes 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. ► Considered the Group's 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 with reference to the Group's forecasts of taxable income. ► Assessed the Group's tax 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 2020 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 2020.

In our opinion, the Remuneration Report of Azure Healthcare Limited for the year ended 30 June 2020, 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
27 August 2020

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 25 August 2020.

Distribution of Holders In Each Class Of Equity Securities

Fully paid ordinary shares	**Number of shareholders**
1 – 1,000	53
1,001 – 5,000	151
5,001 – 10,000	139
10,001 – 100,000	464
100,001 and over	161
Total Number of shareholders	968
Unmarketable parcels	236

Twenty largest Holders Of Quoted Securities	**Number**	**%**
National Nominees Limited	52,774,455	18.57
Mr Robert Grey + Ms Aurawan Grey <Cetau Super Fund A/C>	44,391,645	15.62
Asia Pac Holdings Pty Ltd	18,775,345	6.61
Asia Pac Technology Pty Ltd	17,214,758	6.06
Bill Brooks Pty Ltd <Bill Brooks Super Fund A/C>	13,602,608	4.79
Mr Robert Edward Grey <Austco A/C>	11,015,141	3.88
Asia Pac Holdings Pty Ltd <Asia Pac Holdings A/C>	8,948,764	3.15
Dixson Trust Pty Ltd	7,784,076	2.74
Asia Pac Technology Pty Ltd <John Bennetts S/F A/C>	4,083,245	1.44
Mrs Emma Jane Gracey	4,000,000	1.41
LZ New Century Pty Ltd	3,910,000	1.38
Asia Pac Holdings Pty Ltd	3,502,735	1.23
Mr David Leroy Boyles	3,500,000	1.23
Sean Elias Family Investments Pty Ltd <Sean Elias Investments A/C>	3,495,852	1.23
Mr Erich Gustav Brosell	3,030,000	1.07
Mast Financial Pty Ltd <A to Z Investment A/C>	2,600,000	0.91
Moat Investments Pty Ltd <Moat Investment A/C>	2,599,500	0.91
Mr Jason D'arcy + Mrs Patricia D'arcy <D'arcy Super Fund A/C>	2,500,000	0.88
J P Morgan Nominees Australia Pty Limited	2,450,000	0.86
HSBC Custody Nominees (Australia) Limited	1,802,106	0.63

Substantial shareholder notices lodged with the Company as at 25 August 2020

Robert Edward Grey	54,504,139 shares	19.18%
Australian Ethical Investment Ltd	41,447,475 shares	17.8%
Asia Pac Holding Pty Ltd	51,305,288 shares	18.05%

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

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

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne, VIC 3000
Australia

AZURE
HEALTHCARE LIMITED
www.azurehealthcare.com.au