

1. Company details

Name of entity:	Paragon Care Limited (PGC)
ABN:	76 064 551 426
Reporting period:	For the half year ended 31 December 2023 ('HY24')
Previous period:	For the half year ended 31 December 2022 ('HY23')

2. Results for announcement to the market

The following information is presented in accordance with ASX listing rule 4.2A.3 and should be read in conjunction with the attached Paragon Care Limited consolidate interim audited financial statements for the six months ended 31 December 2023.

	HY24 \$'000	HY23 \$'000	Movement %
Revenue	159,462	150,067	6%
Reported EBITDA	13,373	18,110	(28%)
Underlying EBITDA*	17,026	17,586	(3%)
Reported Net Profit after tax	2,982	6,663	(55%)
Underlying Net Profit after tax	5,577	6,196	(10%)
Basic earnings per share	0.45	0.83	(46%)
Diluted earnings per share	0.44	0.81	(46%)
Net debt (borrowings less cash & equivalents)	86.1	63.7	35%
Net debt to Underlying EBITDA	5.06 times	3.62 times	40%

*Underlying results for HY24 exclude Business restructure costs, prior year adjustments, LTI performance rights (CEO sign on and exit).

Dividends

Dividend Information	Cents per share	HY24 \$'000
Final Dividend for the year ended 30 Jun 2023 of 0.6 cents per ordinary share (paid October 2023)	0.6	3,956

Dividend Declared

In accordance with the previously disclosed cost-cutting initiatives and the associated one-off costs required, the Board has considered it prudent not to declare an interim dividend.

3. Additional information

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the consolidated financial statements for the half year ended 31 December 2023.

4. Audit qualification or review

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

5. Authority for release

Authorised for release by the Board of Directors 29 February 2024.

Paragon Care Limited

ABN 76 064 551 426

Interim Report - 31 December 2023

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Paragon Care Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023 ('HY24').

Directors

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

Shane Tanner	Non-Executive Chairman
John Walstab	Chief Executive Officer & Group Managing Director (appointed 1 October 2023) and Executive General Manager Paragon Care Asia (resigned 1 October 2023)
Alan McCarthy	Non-Executive Director
Geoffrey Sam OAM	Non-Executive Director
Brent Stewart	Non-Executive Director
Mark Hooper	Chief Executive Officer & Group Managing Director (resigned 1 October 2023)

Principal activities

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

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

Dividends

Dividends paid during the financial half-year were as follows:

	HY24 \$'000	HY23 \$'000
Final dividend for the year ended 30 June 2023 of 0.6 cents per ordinary share	3,956	-
Final dividend for the year ended 30 June 2022 of 0.6 cents per ordinary share	-	3,939
	<u>3,956</u>	<u>3,939</u>

Dividend declared

In accordance with the previously disclosed cost-cutting initiatives and the associated one-off costs required, the Board has considered it prudent not to declare an interim dividend.

Review of operations

The profit for the Group after providing for income tax amounted to \$2,982,000 (31 December 2022 ('HY23'): \$6,663,000)

Underlying EBITDA ('earnings before interest, taxation, depreciation and amortisation') is a financial measure not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash items, interest revenue, finance costs and tax expenses. The following table summarises key reconciling items between profit after income tax and Underlying EBITDA. The directors consider Underlying EBITDA to reflect the core earnings of the Group.

From Continuing operations	HY24 \$'000	HY23 \$'000	Change from HY23 %
Revenue	159,462	150,067	6%
Cost of sales	(93,393)	(87,987)	6%
Gross margin	66,069	62,080	6%
<i>Gross profit margin %</i>	41.43%	41.37%	
Other income	641	1,981	
Operating expenses	(49,684)	(46,475)	
Normalised earnings before interest, tax, depreciation, and amortisation ('Underlying EBITDA')	17,026	17,586	(3%)
Acquisition costs	-	(212)	
Fair value (loss)/ gain on derivative liability	(183)	735	
Share Based Payments - CEO/MD sign on and exit	(807)	-	
Business Restructure costs	(2,111)	-	
Other (write-offs)/write back-net	(552)	-	
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	13,373	18,109	(26%)
Depreciation and amortization	(5,160)	(5,216)	
Earnings before interest and tax	8,213	12,893	
Interest expense	(4,290)	(3,317)	
Profit before income tax for the half-year	3,923	9,576	
Tax expense	(979)	(2,812)	
Profit after income tax for the half-year from continuing operations	2,944	6,764	

Key summary of the results include:

Paragon Care delivered an underlying EBITDA in HY24 of \$17m, with revenue of \$159.5m up 6% with gross margin of \$66.1m also up 6% on prior comparative period. Gross profit margins increased to 41.43% on prior year comparative ('pcp').

Normalised earnings before interest, tax, depreciation and amortisation ("EBITDA") of \$17m, reflecting reduced other income and higher operating expenses. Cost reduction initiatives are in progress to be realised in H2 FY24.

The net profit after tax result of \$2.9m, down on pcp mainly attributed to the business restructure expenses. Basic Earnings per share (EPS) decreased by 46% to 0.45 cents per share ('cps') mainly attributed to the lower net profit after tax also impacted by the business restructure expenses. Normalised Basic EPS increased by 12% to \$0.84 cps.

Operating cash flow increased to \$10.8m in HY24, up from \$1.2m on pcp with increased receipts from customers across the Group.

Significant changes in the state of affairs

Business acquisition

Effective 3 July 2023, Paragon Care Limited through one of its subsidiaries, Quantum Healthcare Pty Ltd acquired 100% interest in Carestream Health Japan Co. Ltd ('CSHJ') from Carestream Health International Holdings, Inc. for a consideration USD2,809,603 (AUD4,210,257). The transaction was funded from existing cash balances of USD900,000 (AUD1,353,587), working capital of USD 609,603 (AUD939,862) and drawdown of USD1,000,000 (AUD1,503,986) from the HSBC facility with the remaining payment of USD300,000 (AUD451,195) due in July 2024.

The transaction has been assessed to be a business combination under AASB 3 'Business Combinations' wherein Quantum Healthcare Pty Ltd is the acquirer and CSHJ the acquiree. The effective date of acquisition is 3 July 2023.

CSHJ has four lines of business, being (i) Service Digital X-Ray systems; (ii) Print Media X-Ray; (iii) Dental X-Ray and (iv) Non-Destructive Testing (Industrial). The acquisition extends Paragon Care Limited's existing distribution and service rights for Carestream products currently in Australia, New Zealand and Philippines to now also include Japan.

The values identified in relation to the acquisition of CSHJ are provisional as at 31 December 2023. The acquisition resulted in goodwill of AUD239,457 and Identifiable Intangible Assets of AUD1,658,739 to be amortised over six years.

Non-controlling interest acquisition

Effective 15 July 2023, Quantum Healthcare Pty Ltd, one of Paragon Care Limited's subsidiaries acquired 100% interest of Quantum Healthcare (Thailand) co. Ltd ('QHT') for a consideration of Thai Baht 95.1 million (AUD4,007,420). This included Thai Baht 90 million of capital investment in the ordinary shares of QHT and a cash payment of Thai Baht 5.1 million (AUD223,686) for purchase of shares from external shareholders. Prior to the additional investment, Quantum Healthcare Pty Ltd had a 49% ownership interest in QHT. The transaction was funded by 100% cash consideration from a drawdown equivalent to Thai Baht 90 million (AUD3,792,511) from the HSBC facility and Thai Baht 5.1 million (AUD223,686) from working capital. The main business lines are Classys aesthetics equipment and Samsung Medison Ultrasound systems.

New Chief Executive Officer & Managing Director

On 18 September 2023, Paragon Care announced the appointment of John Walstab as its new Chief Executive Officer & Managing Director effective 1 October 2023. This follows the resignation of Mark Hooper from his role as Chief Executive Officer & Managing Director effective 1 October 2023.

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

Matters subsequent to the end of the financial half-year

On 29 February 2024, Paragon Care Limited entered into a Share Sale Agreement with the owners of CH2 Holdings Pty Ltd (CH2) ("the transaction"). The expected completion date of the transaction is 31 May 2024.

Paragon Care's merger with CH2, is transformative, forming a premier healthcare wholesaler, distributor, and manufacturer of significant scale. The merger enables Paragon Care to leverage expansion into both existing companies' healthcare wholesaling and distribution networks across Australia, and New Zealand and Asia, capitalising on and strengthening the combined market presence and operational capabilities in these rapidly growing markets.

Management is assessing the accounting implications of this transaction under the requirements of AASB 3 Business Combinations.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors



Shane Tanner
Chairman

29 February 2024
Melbourne, Victoria

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the half-year financial report of Paragon Care Limited and its controlled entities for the half year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Dated: 29 February 2024
Melbourne, Victoria

	Note	HY24 \$'000	HY23 \$'000
Revenue from continuing operations			
Sale of goods	4	159,462	150,067
Cost of goods sold		<u>(93,393)</u>	<u>(87,987)</u>
Gross margin		<u>66,069</u>	<u>62,080</u>
Other income			
Other income	5	621	1,941
Interest revenue calculated using the effective interest method		20	40
Expenses			
Employee benefits expense		(33,802)	(31,994)
Depreciation and amortisation expense		(5,160)	(5,216)
Distribution expenses		(4,483)	(4,060)
Marketing expenses		(2,669)	(1,843)
Occupancy expenses		(1,313)	(1,092)
Other expenses	6	(7,119)	(7,169)
Finance costs		(4,290)	(3,317)
Share-based payments expense		<u>(1,105)</u>	<u>(319)</u>
		6,769	9,052
Acquisition costs		-	(212)
Fair value (loss)/ gain on derivative liability		(183)	735
Business Restructure costs		(2,111)	-
Other (write-offs)/ write-back-net		<u>(552)</u>	<u>-</u>
Profit before income tax expense from continuing operations		3,923	9,575
Income tax expense		<u>(979)</u>	<u>(2,812)</u>
Profit after income tax expense from continuing operations		2,944	6,764
Profit /(loss) after income tax expense from discontinued operations	7	<u>38</u>	<u>(101)</u>
Profit after income tax expense for the half year		2,982	6,663
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges transferred to profit or loss, net of tax		(1,746)	(699)
Foreign currency translation		<u>(327)</u>	<u>843</u>
Other comprehensive (loss)/income for the half-year, net of tax		<u>(2,073)</u>	<u>144</u>
Total comprehensive income for the half-year		<u>909</u>	<u>6,807</u>
Profit for the half-year is attributable to:			
Non-controlling interest		-	1,279
Owners of Paragon Care Limited		<u>2,982</u>	<u>5,384</u>
		<u>2,982</u>	<u>6,663</u>

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

Paragon Care Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

ParagonCare

	Note	HY24 \$'000	HY23 \$'000
Total comprehensive (loss)/income for the half-year is attributable to:			
Continuing operations		-	1,279
Discontinued operations		-	-
Non-controlling interest		-	1,279
Continuing operations		871	5,629
Discontinued operations		38	(101)
Owners of Paragon Care Limited		909	5,528
		909	6,807

	Note	HY24 Cents	HY23 Cents
Earnings per share for profit from continuing operations			
Basic earnings per share	22	0.44	0.84
Diluted earnings per share	22	0.43	0.82
Earnings per share for profit/(loss) from discontinued operations			
Basic earnings per share	22	0.01	(0.02)
Diluted earnings per share	22	0.01	(0.02)
Earnings per share for profit for the half-year			
Basic earnings per share	22	0.45	0.83
Diluted earnings per share	22	0.44	0.81

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

	Note	HY24 \$'000	FY23 \$'000
Assets			
Current assets			
Cash and cash equivalents		28,354	22,603
Trade and other receivables	8	39,579	39,426
Inventories		63,147	63,691
Other assets	9	8,089	5,049
Financial derivative asset		-	1,880
Total current assets		<u>139,169</u>	<u>132,649</u>
Non-current assets			
Investment properties	10	2,147	2,167
Property, plant and equipment	11	44,335	25,299
Right-of-use assets	12	20,585	19,617
Intangibles	13	260,063	259,064
Deferred tax		12,066	9,723
Total non-current assets		<u>339,196</u>	<u>315,870</u>
Total assets		<u>478,365</u>	<u>448,519</u>
Liabilities			
Current liabilities			
Trade and other payables		39,324	40,737
Borrowings	14	26,937	17,384
Lease liabilities		4,733	4,335
Income tax		5,177	4,816
Employee benefits		7,658	6,277
Vendor conditional payables	15	1,317	1,635
Financial derivative liability		849	-
Restructure provision		1,432	-
Other liabilities		19,326	18,367
Total current liabilities		<u>106,753</u>	<u>93,551</u>
Non-current liabilities			
Borrowings	14	87,499	68,933
Lease liabilities		30,817	31,491
Employee benefits		911	926
Vendor conditional payables	15	1,350	1,661
Total non-current liabilities		<u>120,577</u>	<u>103,011</u>
Total liabilities		<u>227,330</u>	<u>196,562</u>
Net assets		<u>251,035</u>	<u>251,957</u>
Equity			
Issued capital	16	233,594	232,297
Reserves	17	17,441	10,552
Retained earnings		-	-
Equity attributable to the owners of Paragon Care Limited		251,035	242,849
Non-controlling interest		-	9,108
Total equity		<u>251,035</u>	<u>251,957</u>

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

Paragon Care Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

ParagonCare

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
HY23					
Balance at 1 July 2022	228,655	7,376	-	6,304	242,335
Profit after income tax expense for the half-year	-	-	5,384	1,279	6,663
Other comprehensive loss for the half-year, net of tax	-	144	-	-	144
Total comprehensive income/(loss) for the half-year	-	144	5,384	1,279	6,807
Transfer to dividend reserve (note 17)	-	5,384	(5,384)	-	-
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	3,259	-	-	-	3,259
Share-based payments (note 17)	-	319	-	-	319
Dividends paid (note 18)	-	(3,939)	-	-	(3,939)
Balance at 31 December 2022	231,914	9,284	-	7,583	248,781
HY24					
Balance at 1 July 2023	232,297	10,552	-	9,108	251,957
Profit after income tax expense for the half-year	-	-	2,982	-	2,982
Other comprehensive (loss)/ income for the half-year, net of tax	-	(2,073)	-	-	(2,073)
Total comprehensive loss for the half-year		(2,073)	2,982	-	909
Transfer to dividend reserve (note 17)	-	2,982	(2,982)	-	-
Transfer from non-controlling interest	-	9,108	-	(9,108)	-
Acquisition of non-controlling interest	-	(223)	-	-	(223)
Contributions of equity, net of transaction costs (note 16)	1,297	-	-	-	1,297
Share-based payments (note 17)	-	1,105	-	-	1,105
Dividends paid prior year	-	(54)	-	-	(54)
Dividends paid (note 18)	-	(3,956)	-	-	(3,956)
Balance at 31 December 2023	233,594	17,441	-	-	251,035

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

	Note	HY24 \$'000	HY23 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		173,415	162,596
Payments to suppliers and employees (inclusive of GST)		(156,865)	(158,699)
Other income		621	1,941
Interest received		20	40
Interest and other finance costs paid		(4,290)	(3,317)
Income taxes refunded/(paid)		(2,077)	(1,374)
		<u>10,824</u>	<u>1,187</u>
Net cash from operating activities			
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	21	(2,405)	(11,066)
Payment for prior period purchase of business		(1,203)	-
Payment for acquisition of non-controlling interest		(223)	-
Payments for property, plant and equipment		(21,077)	(5,313)
Payments for intangibles		(79)	(295)
Proceeds from disposal of property, plant and equipment		77	76
Proceeds from release of security deposits		-	269
		<u>(24,910)</u>	<u>(16,329)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares		-	425
Share issue transaction costs		-	(19)
Proceeds from borrowings (net)		25,174	73
Repayment of lease liabilities		(2,938)	(1,685)
Dividends paid	18	(2,658)	(3,939)
		<u>19,578</u>	<u>(5,145)</u>
Net cash from/ (used) in financing activities			
Net increase/(decrease) in cash and cash equivalents		5,492	(20,287)
Cash and cash equivalents at the beginning of the financial half-year		22,603	46,203
Effects of exchange rate changes on cash and cash equivalents		260	751
		<u>28,354</u>	<u>26,667</u>
Cash and cash equivalents at the end of the financial half-year			

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

Note 1. General information

The financial statements cover Paragon Care Limited as a Group consisting of Paragon Care Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ('HY24'). Paragon Care Limited and its subsidiaries together are referred to in these financial statements as the 'Group'. The financial statements are presented in Australian dollars, which is Paragon Care Limited's functional and presentation currency.

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

Registered office

Level 4
96-100 Albert Road
South Melbourne VIC 3205

Principal place of business

77-97 Ricketts Road
Mt Waverley VIC 3149

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2024.

Note 2. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 ('FY23') and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into four operating segments: Diagnostics and Scientific, Devices, Capital and Consumables and Service and Technology. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Note 3. Operating segments (continued)

Types of products and services

The principal products and services of each of these operating segments are as follows:

Diagnosics and Scientific	Segment incorporates blood bank diagnostics manufacturer, clinical pathology diagnostics distribution and scientific and R&D laboratory equipment distribution.
Devices	Segment incorporates Ophthalmology and optometry, orthopaedics, pain management, infection prevention and orthobiologics.
Capital and consumables	Segment incorporates medical, surgical and veterinary services.
Service and Technology	Segment incorporates comprehensive offering from biomedical devices to high-end capital equipment, service support and technology management and service partnership with leading brands.

Corporate and Shared Services relates to the corporate running costs of the Group.

Intersegment transactions

Intersegment transactions were made at market rates and are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the half-year ended 31 December 2023, there were no major customers generated over 10% of revenue for the group (31 December 2022: none).

Note 3. Operating segments (continued)

Operating segment information (continuing operations)

HY24	Diagnostics and Scientific \$'000	Devices \$'000	Capital and Consumables \$'000	Service and Technology \$'000	Corporate and shared services \$'000	Total \$'000
Revenue						
Sales to external customers	18,229	36,111	50,372	54,750	-	159,462
Other revenue	2	53	531	53	(18)	621
Interest revenue	1	1	(1)	20	(1)	20
Total revenue	18,232	36,165	50,902	54,823	(19)	160,103
EBITDA (excluding interest revenue)						
Depreciation and amortisation	1,158	4,253	6,491	7,129	(5,678)	13,353
Interest revenue	(239)	(964)	(534)	(982)	(2,441)	(5,160)
Finance costs	1	1	(1)	20	(1)	20
	(65)	(1)	(59)	(279)	(3,886)	(4,290)
Profit/(loss) before income tax expense	855	3,289	5,897	5,888	(12,006)	3,923
Income tax expense						(979)
Profit after income tax expense						2,944
Assets						
Segment assets	54,591	87,577	92,495	165,671	37,562	437,895
Unallocated assets:						
Cash and cash equivalents						28,354
Deferred tax asset						12,066
Total assets						478,315
Liabilities						
Segment liabilities	5,705	10,773	21,497	26,610	43,102	107,687
Unallocated liabilities:						
Provision for income tax						5,177
Borrowings						114,436
Total liabilities						227,300

Note 3. Operating segments (continued)

Operating segment information (continuing operations)

HY23	Diagnostics and Scientific \$'000	Devices \$'000	Capital and Consumables \$'000	Service and Technology \$'000	Corporate and shared services \$'000	Total \$'000
Revenue						
Sales to external customers	18,751	38,545	46,219	46,552	-	150,067
Other revenue	19	64	1,513	(97)	444	1,943
Interest revenue	-	-	6	9	25	40
Total revenue	18,770	38,609	47,738	46,464	469	152,050
EBITDA (excluding interest revenue)						
Depreciation and amortisation	3,446	6,286	6,642	6,489	(4,797)	18,066
Interest revenue	(80)	(468)	(576)	(614)	(3,476)	(5,214)
Finance costs	-	-	6	9	25	40
	-	(2)	(38)	(82)	(3,195)	(3,317)
Profit/(loss) before income tax expense	3,366	5,816	6,034	5,802	(11,443)	9,575
Income tax expense						(2,811)
Profit after income tax expense						6,764
Assets						
Segment assets	48,161	87,681	96,253	153,297	32,157	417,549
<i>Unallocated assets:</i>						
Cash and cash equivalents						26,667
Deferred tax asset						8,590
Total assets						452,806
Liabilities						
Segment liabilities	8,366	15,812	24,802	20,105	37,650	106,735
<i>Unallocated liabilities:</i>						
Provision for income tax						2,104
Borrowings						96,273
Total liabilities						205,112

Geographical information (including discontinued operations)

	Sales to external customers		Geographical non-current assets	
	HY24 \$'000	HY23 \$'000	HY24 \$'000	FY23 \$'000
Australia and New Zealand	121,705	130,285	314,995	290,574
Asia	37,939	23,572	12,311	4,120
	159,644	153,857	327,306	294,694

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets and post-employment benefits assets.

Note 4. Revenue

Disaggregation of revenue

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

	HY24 \$'000	HY23 \$'000
<i>Major product lines</i>		
Capital and Consumables Product Line	50,372	46,219
Devices Product Line	36,111	38,544
Diagnostic Product Line	18,229	18,751
Services and Technology	54,750	46,552
	<u>159,462</u>	<u>150,067</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	104,712	103,515
Services transferred over time	54,750	46,552
	<u>159,462</u>	<u>150,067</u>

Geographical regions are disclosed in note 3.

Note 5. Other income

	HY24 \$'000	HY23 \$'000
Net foreign exchange gain	(44)	7
Rental income	-	446
Other income	665	1,488
	<u>621</u>	<u>1,941</u>

Note 6. Other expenses

	HY24 \$'000	HY23 \$'000
Management consulting fees	382	465
Professional fees	1,233	1,336
Information technology	2,097	2,100
Travel costs	2,052	1,769
Bad debts and allowance for/(recovery of) expected credit losses	(112)	(319)
Net (gain)/loss on sale of assets	(203)	(175)
Other corporate costs	1,670	1,992
	<u>7,119</u>	<u>7,168</u>

Note 7. Discontinued operations

The closure of the Lovell business took place late in FY23 based on the changed environment post-pandemic which impacted the continued viability of this business.

Financial performance information

	HY24 \$'000	HY23 \$'000
Sales of goods	182	3,790
Cost of goods sold	(35)	(2,542)
Gross Profit	<u>147</u>	<u>1,248</u>
Employee benefits expense	2	(900)
Depreciation and amortisation	(75)	(172)
Distribution expenses		(115)
Occupancy expenses	(17)	(47)
Other expenses	(3)	(158)
Total expenses	<u>(93)</u>	<u>(1,392)</u>
Profit before income tax expense		
Income tax expense	54	(144)
	<u>(16)</u>	<u>43</u>
Profit/(loss) after income tax (expense)/benefit from discontinued operations	<u>38</u>	<u>(101)</u>
<i>Cashflow information</i>		
Net cashflow from/(used in) operating activities	29	373
Net cashflow from/(used in) investing activities	<u>-</u>	<u>(234)</u>
Net increase/(decrease) in cash and cash equivalents from discontinued operations	<u>29</u>	<u>139</u>

Note 8. Trade and other receivables

	HY24 \$'000	FY23 \$'000
<i>Current assets</i>		
Trade receivables	38,314	36,661
Less: Allowance for expected credit losses	(1,006)	(1,242)
	<u>37,308</u>	<u>35,419</u>
Other receivables	2,271	1,031
Lease incentive receivable	-	2,976
	<u>39,579</u>	<u>39,426</u>

Allowance for expected credit losses

The Group has recognised a gain of \$112,000 (HY23: \$319,000) in the profit or loss account in respect of the expected credit losses for the half-year ended HY24.

Note 9. Other assets

	HY24 \$'000	FY23 \$'000
<i>Current assets</i>		
Prepayments	5,821	3,319
Security deposits	2,268	1,730
	<u>8,089</u>	<u>5,049</u>

Note 10. Investment properties

	HY24 \$'000	FY23 \$'000
<i>Non-current assets</i>		
Investment property - Freehold office building, Korea at cost	2,212	2,203
Less: Accumulated depreciation	(65)	(36)
	<u>2,147</u>	<u>2,167</u>

Reconciliation

Reconciliation of the written down values at the beginning and end of the current financial half-year are set out below:

Opening cost	2,167	261
Exchange differences	9	18
Disposals	-	(76)
Depreciation expense	(29)	(36)
Transferred from property, plant and equipment - land and buildings (note 11)	-	2,000
	<u>2,147</u>	<u>2,167</u>
Closing cost	<u>2,147</u>	<u>2,167</u>

Note 11. Property, plant and equipment

	HY24 \$'000	FY23 \$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	4,803	4,534
Less: Accumulated depreciation	<u>(1,582)</u>	<u>(1,380)</u>
	3,221	3,154
Plant and equipment - at cost	42,377	39,606
Less: Accumulated depreciation	<u>(33,355)</u>	<u>(31,435)</u>
	9,022	8,171
Motor vehicles - at cost	1,870	1,669
Less: Accumulated depreciation	<u>(1,514)</u>	<u>(1,493)</u>
	356	176
Capital WIP - at cost	31,736	13,798
	<u>44,335</u>	<u>25,299</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Capital WIP \$'000	Total \$'000
Balance at 1 July 2023	3,154	8,171	176	13,798	25,299
Additions	235	2,644	202	17,998	21,077
Additions through business combinations	39	240	-	-	279
Disposals	(5)	(194)	-	-	(199)
Transfers in/(out)	-	81	-	(60)	22
Depreciation expense	<u>(202)</u>	<u>(1,920)</u>	<u>(22)</u>	<u>-</u>	<u>(2,143)</u>
Balance at 31 December 2023	<u>3,221</u>	<u>9,022</u>	<u>356</u>	<u>31,736</u>	<u>44,335</u>

Note 12. Right-of-use assets

	HY24 \$'000	FY23 \$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	34,597	34,242
Less: Accumulated depreciation	<u>(14,012)</u>	<u>(14,625)</u>
	<u>20,585</u>	<u>19,617</u>

The Group leases land and buildings for its offices and warehouses under agreements of between one to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 12. Right-of-use assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Land and buildings - right-of-use \$'000
Balance at 1 July 2023	19,617
Additions	1,183
Lease modifications	1,833
Depreciation expense	(2,048)
	<hr/>
Balance at 31 December 2023	<u>20,585</u>

Note 13. Intangibles

	HY24 \$'000	FY23 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	326,013	325,774
Less: Impairment	(73,442)	(73,442)
	<hr/>	<hr/>
	252,571	252,332
Website - at cost	242	242
Less: Accumulated amortisation	(202)	(200)
	<hr/>	<hr/>
	40	42
Customer contracts - at cost	7,975	6,317
Less: Accumulated amortisation	(1,978)	(1,462)
	<hr/>	<hr/>
	5,997	4,855
Software development costs - at cost	4,905	4,816
Less: Accumulated amortisation	(3,476)	(3,038)
	<hr/>	<hr/>
	1,429	1,778
Capital WIP - at cost	26	57
	<hr/>	<hr/>
	260,063	259,064

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill \$'000	Website \$'000	Customer contracts \$'000	Software development costs \$'000	Capital WIP \$'000	Total \$'000
Balance at 1 July 2023	252,332	42	4,855	1,778	57	259,064
Additions	-	-	-	17	63	80
Additions through business combinations (note 21)	239	-	1,658	-	-	1,897
Transfers in/(out)	-	-	-	72	(94)	(22)
Amortisation expense	-	(2)	(516)	(438)	-	(956)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2023	<u>252,571</u>	<u>40</u>	<u>5,997</u>	<u>1,429</u>	<u>26</u>	<u>260,063</u>

Note 13. Intangibles (continued)

The Group has identified four cash generating units (CGU): Capital and Consumables, Devices, Diagnostics and Scientific and Service and Technology. Consequently, goodwill arising on business combinations has been allocated to these CGUs based on their relative values as follows:

	Diagnostic and Scientific \$'000	Devices \$'000	Capital and Consumables \$'000	Service and Technology \$'000	Total \$'000
Goodwill	24,257	56,458	52,808	119,048	252,571

Impairment testing

Directors and Management have considered and assessed reasonably possible changes to the key assumptions and have not identified any instances that could cause the carrying amount of the four cash generating units to exceed their recoverable amount as at 31 December 2023.

Note 14. Borrowings

	HY24 \$'000	FY23 \$'000
<i>Current liabilities</i>		
Bank loans	-	-
Trade finance facility	19,440	15,553
Other loans	6,995	1,538
Hire purchase	502	293
	<u>26,937</u>	<u>17,384</u>
<i>Non-current liabilities</i>		
Bank loans	85,291	67,600
Hire purchase	2,208	1,333
	<u>87,499</u>	<u>68,933</u>

Note 15. Vendor conditional payables

	HY24 \$'000	FY23 \$'000
<i>Current liabilities</i>		
Vendor conditional payables	<u>1,317</u>	<u>1,635</u>
<i>Non-current liabilities</i>		
Vendor conditional payables	<u>1,350</u>	<u>1,661</u>

The vendor conditional payable at 31 December 2023 includes the following:

- Deferred consideration payable to the vendor of Carestream Japan of \$451,000 (30 June 2023: Nil).
- Contingent consideration payable to the vendor of shares in Quantum Hunex Korea Co Ltd \$2,216,000 (30 June 2023: \$2,526,000) and Specialist Medical Supplies Pty Ltd of \$Nil (30 June 2023: \$770,000), subsidiaries of the Group.

Note 16. Issued capital

	HY24 Shares	FY23 Shares	HY24 \$'000	FY23 \$'000
Ordinary shares - fully paid	667,868,179	659,345,929	233,595	232,297

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2023	659,345,929		232,297
Issue of shares under the dividend reinvestment plan	6 October 2023	8,522,250	\$0.1524	1,298
Balance	31 December 2023	<u>667,868,179</u>		<u>233,595</u>

Note 17. Reserves

	HY24 \$'000	FY23 \$'000
Foreign currency translation reserve	(1,484)	(1,157)
Hedging reserve - cash flow hedges	(821)	925
Share-based payments reserve	1,787	682
Dividend reserve	17,959	10,102
	<u>17,441</u>	<u>10,552</u>

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Foreign currency translation reserve \$'000	Hedging reserve - cash flow hedges \$'000	Share-based payments reserve \$'000	Dividend reserve \$'000	Total \$'000
Balance at 1 July 2023	(1,157)	925	682	10,102	10,552
Foreign currency translation	(327)	-	-	-	(327)
Net investment hedge	-	(1,746)	-	-	(1,746)
Share-based payments	-	-	1,105	-	1,105
Transfer of profit from retained earnings	-	-	-	2,982	2,982
Transfer from non-controlling interests	-	-	-	9,108	9,108
Acquisition of non-controlling interests	-	-	-	(223)	(223)
Dividends paid prior year	-	-	-	(54)	(54)
Dividends paid (note 18)	-	-	-	(3,956)	(3,956)
Balance at 31 December 2023	<u>(1,484)</u>	<u>(821)</u>	<u>1,787</u>	<u>17,959</u>	<u>17,441</u>

Note 18. Dividends

Dividends declared during the financial half-year were as follows:

	HY24 \$'000	HY23 \$'000
Final dividend for the year ended 30 June 2023 of 0.6 cents per ordinary share	3,956	-
Final dividend for the year ended 30 June 2022 of 0.6 cents per ordinary share	-	3,939
	<u>3,956</u>	<u>3,939</u>

Dividends paid for the year ended 30 June 2023 of \$3,956,000 consisted of \$2,658,000 paid in cash and \$1,298,000 by way of issues shares under the company's dividend reinvestment plan.

In accordance with the previously disclosed cost-cutting initiatives and the associated one-off costs required, the Board has considered it prudent not to declare an interim dividend.

Note 19. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
HY24				
<i>Assets</i>				
Forward foreign exchange contracts and interest rate swap - cash flow hedges	-	-	-	-
Total assets	-	-	-	-
<i>Liabilities</i>				
Forward foreign exchange contracts and interest rate swap - cash flow hedges	-	(849)	-	(849)
Vendor conditional payable	-	-	(2,667)	(2,667)
Total liabilities	-	(849)	(2,667)	(3,516)
FY23				
<i>Assets</i>				
Forward foreign exchange contracts and interest rate swap - cash flow hedges	-	1,880	-	1,880
Total assets	-	1,880	-	1,880
<i>Liabilities</i>				
Vendor conditional payable	-	-	(3,296)	(3,296)
Total liabilities	-	-	(3,296)	(3,296)

Note 19. Fair value measurement (continued)

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Vendor conditional payable represents the obligation to pay additional amounts to vendors in respect of businesses acquired by the Group, subject to certain conditions being met. It is measured at the present value of the estimated liability. The fair value of the payable is calculated on the expected future cash outflows. Generally, the vendor conditional payable is a performance-based payment. These are reviewed at the reporting date to provide the expected future cash outflows for each contract. Upon completion of the review the future cash outflows are then discounted to present value using the Group's incremental borrowing rate.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

	Vendor conditional payable \$'000
Balance at 1 July 2023	(3,296)
Contingent consideration adjustment	(121)
Additions through business combination	(451)
Payments	1203
Exchange rate difference	(2)
Balance at 31 December 2023	<u><u>2,667</u></u>

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Vendor conditional payables - Quantum Hunex Korea	Profit multiples	45%	10% change in multiple would increase/decrease fair value by \$222,000

Note 20. Contingent liabilities

The Group has given bank guarantees as at HY24 of \$1,551,958 (FY23: \$2,625,276).

Note 21. Business combinations

Business acquisition

Effective 3 July 2023, Paragon Care Limited through one of its subsidiaries, Quantum Healthcare Pty Ltd acquired 100% interest in Carestream Health Japan Co. Ltd ('CSHJ') from Carestream Health International Holdings, Inc. for a consideration USD2,809,603 (AUD4,210,257). The transaction was funded from existing cash balances of USD900,000 (AUD1,353,587), working capital of USD 609,603 (AUD939,862) and drawdown of USD1,000,000 (AUD1,503,986) from the HSBC facility with the remaining payment of USD300,000 (AUD451,195) due in July 2024.

The transaction has been assessed to be a business combination under AASB 3 'Business Combinations' wherein Quantum Healthcare Pty Ltd is the acquirer and CSHJ the acquiree. The effective date of acquisition is 3 July 2023.

CSHJ has four lines of business, being (i) Service Digital X-Ray systems; (ii) Print Media X-Ray; (iii) Dental X-Ray and (iv) Non-Destructive Testing (Industrial). The acquisition extends Paragon Care Limited's existing distribution and service rights for Carestream products currently in Australia, New Zealand and Philippines to now also include Japan.

The values identified in relation to the acquisition of CSHJ are provisional as at 31 December 2023. The acquisition resulted in goodwill of AUD239,457 and Identifiable Intangible Assets of AUD1,658,739 to be amortised over six years.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	1,354
Other tangible assets	958
Net assets acquired	2,312
Goodwill	239
Intangible assets - customer contracts	1,659
Acquisition-date fair value of the total consideration transferred	<u>4,210</u>
Representing:	
Cash paid to vendor	3,759
Deferred consideration payable	451
	<u>4,210</u>
Acquisition costs expensed to profit or loss	<u>-</u>
Cash used to acquire business; net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,210
Less: Cash and cash equivalents acquired	(1,354)
Less: Deferred consideration payable	(451)
Net cash used	<u>2,405</u>

Note 22. Earnings per share

	HY24 \$'000	HY23 \$'000
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax	2,944	6,764
Non-controlling interest	-	(1,279)
Profit after income tax	<u>2,944</u>	<u>5,485</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	663,329,155	652,220,931
Adjustments for calculation of diluted earnings per share:		
Performance rights	<u>18,353,138</u>	<u>13,366,509</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>681,682,293</u>	<u>665,587,440</u>
	Cents	Cents
Basic earnings per share	0.44	0.84
Diluted earnings per share	0.43	0.82
	HY24 \$'000	HY23 \$'000
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit after income tax	38	(101)
Non-controlling interest	-	-
Profit after income tax	<u>38</u>	<u>(101)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	663,329,155	652,220,931
Adjustments for calculation of diluted earnings per share:		
Performance Rights	<u>18,353,138</u>	<u>13,366,509</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>681,682,293</u>	<u>665,587,440</u>
	Cents	Cents
Basic earnings per share	0.01	(0.02)
Diluted earnings per share	0.01	(0.02)

Note 22. Earnings per share (continued)

	HY24 \$'000	HY23 \$'000
<i>Earnings per share for profit for the half-year</i>		
Profit after income tax	2,998	6,663
Non-controlling interest	-	(1,279)
	<u>2,998</u>	<u>5,384</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	663,329,155	652,220,931
Adjustments for calculation of diluted earnings per share:		
Performance rights	<u>18,353,138</u>	<u>13,366,509</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>681,682,293</u>	<u>665,587,440</u>
	Cents	Cents
Basic earnings per share	0.45	0.83
Diluted earnings per share	0.44	0.81

Note 23. Share-based payments

Performance rights

Details of the performance rights are included in the FY23 Annual Report. For performance rights issued within HY24, the following vesting conditions are applicable:

Vesting conditions and important dates

The vesting conditions for performance rights granted on 1 July 2023 will depend on meeting the following:

- Tranche 1: One third to vest subject to continuous employment and a minimum share price of 35c being achieved in FY24 calculated on a 14-day VWAP;
- Tranche 2: One third to vest subject to continuous employment and a minimum share price of 45c being achieved in FY25 calculated on a 14-day VWAP; and
- Tranche 3: One third to vest subject to continuous employment and a minimum share price of 55c being achieved in FY26 calculated on a 14- day VWAP.

The first vesting date of performance rights issued on 1 July 2023 is 30 June 2024 and all these performance rights will lapse on 30 June 2026 if not vested and exercised.

The vesting conditions for performance rights granted on 21 November 2023 will depend on meeting the following:

- Tranche 1: One third to vest subject to continuous employment and a minimum share price of 35c being achieved in FY24 calculated on a 14-day VWAP;
- Tranche 2: One third to vest subject to continuous employment and a minimum share price of 45c being achieved in FY25 calculated on a 14-day VWAP; and
- Tranche 3: One third to vest subject to continuous employment and a minimum share price of 55c being achieved in FY26 calculated on a 14- day VWAP.

The first vesting date of performance rights issued on 21 November 2023 is 30 June 2024 and all these performance rights will lapse on 30 June 2026 if not vested and exercised.

Note 23. Share-based payments (continued)

Summary of performance rights granted

Set out below are summaries of performance rights granted under the plan:

HY24

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
26/04/2019	30/09/2022	\$0.0000	-	-	-	-	-
22/02/2021	30/09/2023	\$0.0000	1,305,368	-	-	(1,305,368)	-
28/09/2021	28/09/2024	\$0.0000	3,295,419	-	-	(634,568)	2,660,851
01/07/2022	30/06/2025	\$0.0000	3,579,611	-	-	(600,000)	2,979,611
29/11/2022	30/06/2025	\$0.0000	5,441,086	-	-	-	5,441,086
01/07/2023	30/06/2026	\$0.0000	-	5,699,210	-	-	5,699,210
21/11/2023	30/06/2026	\$0.0000	-	1,572,380	-	-	1,572,380
			13,621,484	7,271,590	-	(2,539,936)	18,353,138

HY23

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
26/04/2019	30/09/2022	\$0.0000	188,810	-	-	(188,810)	-
22/02/2021	30/09/2023	\$0.0000	6,725,736	-	(4,304,088)	(1,097,353)	1,324,295
28/09/2021	28/09/2024	\$0.0000	4,798,529	-	-	-	4,798,529
01/07/2022	30/06/2025	\$0.0000	-	4,279,611	-	-	4,279,611
29/11/2022	30/06/2025	\$0.0000	-	5,441,086	-	-	5,441,086
			11,713,075	9,720,697	(4,304,088)	(1,286,163)	15,843,521

For the performance rights granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Fair value at grant date
01/07/2023	30/06/2026	\$0.2500	\$0.140
01/07/2023	30/06/2026	\$0.2500	\$0.114
01/07/2023	30/06/2026	\$0.2500	\$0.109
21/11/2023	30/06/2026	\$0.1750	\$0.140
21/11/2023	30/06/2026	\$0.1750	\$0.114
21/11/2023	30/06/2026	\$0.1750	\$0.109

Note 24. Events after the reporting period

On 29 February 2024, Paragon Care Limited entered into a Share Sale Agreement with the owners of CH2 Holdings Pty Ltd (CH2) ("the transaction"). The expected completion date of the transaction is 31 May 2024.

Paragon Care's merger with CH2, is transformative, forming a premier healthcare wholesaler, distributor, and manufacturer of significant scale. The merger enables Paragon Care to leverage expansion into both existing companies' healthcare wholesaling and distribution networks across Australia, and New Zealand and Asia, capitalising on and strengthening the combined market presence and operational capabilities in these rapidly growing markets.

Management is assessing the accounting implications of this transaction under the requirements of AASB 3 Business Combinations.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Shane Tanner
Chairman

29 February 2024
Melbourne, Victoria

RSM Australia Partners

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

Conclusion

We have reviewed the accompanying half-year financial report of Paragon Care Limited ("the Company") and its controlled entities (together referred to as "the Group") which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in blue ink, appearing to read "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read "R B Miano".

R B MIANO
Partner

Dated: 29 February 2024
Melbourne, Victoria