

Name of Entity:	PARAGON CARE LIMITED
ABN:	76 064 551 426
Reporting Period:	Financial Year ended 30 June 2019
Previous Corresponding Period:	Financial Year ended 30 June 2018

Results for Announcement to the Market

	FY 2019	FY 2018	Change from FY 2018
	\$'000	\$'000	%
Revenue	256,698	136,747	(88%)
Profit after income tax	(14,386)	10,951	(231%)
Profit after income tax (expense)/benefit from continuing operations	8,774	13,886	(37%)
Loss after income tax (expense)/benefit from discontinued operations	(23,160)	(2,935)	(689%)
Profit/(loss) after income tax(expense) /benefit for the year attributable to the owners of paragon Care Limited	(14,386)	10,951	(231%)
Earnings per share (cents) *	(4.49)	5.39	(183%)
Net Tangible assets per share (cents)	(3.55)	(7.05)	(50%)
*Weighted Average Number of Issued Shares	320,601,057	203,113,038	

Dividends

Following the divestment of the Axis Health businesses effective 30th June 2019 together with the impending restructure of the core business, the Directors feel it is prudent to not declare a final dividend. The Directors expect to resume dividends at the 2019 December Half Year.

Consolidated Financial Statements

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in, and should be read in conjunction with the attached Preliminary Financial Report for the year ended 30th of June 2019. The financial report is based on the consolidated financial statements which is in process of being audited by RSM Australia Partners.

The company's Annual General Meeting is to be held on Tuesday, 26th of November 2019 with details to be communicated to shareholders in due course.

Summary

Highlights for the year ended 30th of June 2019 included:

- Group Revenues up 88% to \$256.7m in line with forecast
- Underlying/Continuing Operations* revenues up 101% to \$236m – close to forecast of \$240m.
- Gross Margins stable at 40%
- Underlying/Continuing Operations* EBITDA up 28% to \$28.2m in line with forecast
- Bruce Bian, an accomplished Asia Pacific professional joined the board in March 2019
- The divestment of the Axis Health group of businesses successfully completed effective 30th Jun 2019.

*Continuing Operations are defined as the current businesses, adjusted for corporate and operating costs incurred during FY19 relating to the discontinuing businesses.

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The financial year ended 30th June 2019 was a truly transformative year. The acquisitions from the prior year were all bedded down successfully. Following an external review of the entire Paragon business, a significant cost out program that will yield savings of \$6.5m over the next 18 months has commenced. This cost out program will focus on centralizing shared cost roles, reducing duplications, property rationalisations and much more productive procurement functions.

During the 2018/19 year, Paragon has delivered on its key strategy of becoming a less cyclical and more diversified business via the key investments made in prior year. This resulted in a removal of seasonality from the H1 to H2 revenues. The Company's span across the four verticals of Devices, Diagnostics, Capital & Consumable, and Services offers a diversified and growing product portfolio and customer base. There exists a sharp focus on building category leadership in attractive therapeutic areas within the business and continuing to move the product portfolio toward differentiated, novel and higher margin products where we can add more value to our customers.

Summary Results for the Year Ended 30 June 2019 for Continuing Business

	2019	2018	Change from 2018
	\$'000	\$'000	%
Revenue from Continuing Operations*	236,094	117,200	101%
Cost of Sales	(140,992)	(69,024)	104%
Gross Profit	95,102	48,175	97%
Gross Profit Margin %	40%	41%	-2%
Other Income	1,162	4,671	-75%
Interest revenue calculated using the effective interest method	575	245	134%
Operating Expenses	(68,681)	(31,020)	121%
Earnings before interest, tax and depreciation (EBITDA) From Continuing Operations*	28,158	22,071	28%
Depreciation and Amortisation **	(10,009)	(2,045)	389%
Earnings Before Interest and Tax (EBIT)	18,149	20,026	-9%
Interest Expense	(5,959)	(2,164)	175%
Profit Before Tax	12,190	17,862	-32%
Tax Expense	(3,416)	(3,976)	-14%
Profit after income tax (expense)/ Benefit from Continuing Operations*	8,774	13,886	-37%
Loss after income tax (expense)/benefit from Discontinued Operations	(23,160)	(2,935)	689%
Profit/(loss) after income tax(expense)/benefit for the year attributable to the owners of Paragon Care Limited	(14,386)	10,951	-231%

** Depreciation and amortisation increase of \$8m includes: \$3.7m adjustment for the new lease accounting AASB 16; a once off software impairment of \$2.4m; and a commercial contract amortisation of \$0.7m. This in turn significantly affected NPAT.

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Paragon Care Limited

ABN 76 064 551 426

Preliminary Financial Report - 30 June 2019

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	Note	Consolidated Unaudited 2019 \$'000	2018 \$'000
Revenue from continuing operations			
Sale of goods		236,094	117,200
Cost of sales		<u>(140,992)</u>	<u>(69,024)</u>
Gross profit		<u>95,102</u>	<u>48,176</u>
Other income		1,162	4,670
Interest revenue calculated using the effective interest method		575	245
Expenses			
Distribution		(4,459)	(1,186)
Marketing		(2,672)	(1,125)
Occupancy		(1,336)	(1,976)
Administration		(70,186)	(28,778)
Impairment of assets		(37)	-
Finance costs		<u>(5,959)</u>	<u>(2,164)</u>
Profit before income tax expense from continuing operations		12,190	17,862
Income tax expense		<u>(3,416)</u>	<u>(3,976)</u>
Profit after income tax expense from continuing operations		8,774	13,886
Loss after income tax benefit from discontinued operations	3	<u>(23,160)</u>	<u>(2,935)</u>
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Paragon Care Limited		(14,386)	10,951
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net gain on hedge of net investment, net of tax		-	845
Net loss on hedge of net investment, net of tax		(640)	-
Foreign currency translation		<u>1,546</u>	<u>(791)</u>
Other comprehensive income for the year, net of tax		<u>906</u>	<u>54</u>
Total comprehensive income for the year attributable to the owners of Paragon Care Limited		<u><u>(13,480)</u></u>	<u><u>11,005</u></u>
Total comprehensive income for the year is attributable to:			
Continuing operations		9,680	13,940
Discontinued operations		<u>(23,160)</u>	<u>(2,935)</u>
		<u><u>(13,480)</u></u>	<u><u>11,005</u></u>

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

	Note	Consolidated Unaudited 2019 \$'000	2018 \$'000
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Paragon Care Limited			
Basic earnings per share	6	2.74	6.84
Diluted earnings per share	6	2.73	6.84
Earnings per share for loss from discontinued operations attributable to the owners of Paragon Care Limited			
Basic earnings per share	6	(7.22)	(1.45)
Diluted earnings per share	6	(7.22)	(1.45)
Earnings per share for profit/(loss) attributable to the owners of Paragon Care Limited			
Basic earnings per share	6	(4.49)	5.39
Diluted earnings per share	6	(4.49)	5.39

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

	Note	Consolidated Unaudited 2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents		34,224	40,392
Trade and other receivables		43,368	43,808
Inventories		51,407	55,301
Investments		22	21
Derivative financial instruments		291	1,315
Income tax refund due		5,736	-
Other		2,117	1,480
Total current assets		<u>137,165</u>	<u>142,317</u>
Non-current assets			
Receivables		574	1,425
Property, plant and equipment		13,056	12,172
Right-of-use assets		20,923	-
Intangibles		204,321	190,131
Deferred tax		7,392	3,703
Total non-current assets		<u>246,266</u>	<u>207,431</u>
Total assets		<u>383,431</u>	<u>349,748</u>
Liabilities			
Current liabilities			
Trade and other payables		49,050	53,862
Borrowings		10,136	10,743
Income tax		-	767
Employee benefits		4,296	4,514
Vendor conditional payables		-	1,201
Other		8,625	4,638
Total current liabilities		<u>72,107</u>	<u>75,725</u>
Non-current liabilities			
Payables		-	1,457
Borrowings		89,243	94,074
Lease liabilities		19,221	-
Employee benefits		871	257
Vendor conditional payables		9,673	8,093
Total non-current liabilities		<u>119,008</u>	<u>103,881</u>
Total liabilities		<u>191,115</u>	<u>179,606</u>
Net assets		<u>192,316</u>	<u>170,142</u>
Equity			
Issued capital	4	203,687	156,930
Reserves		805	(101)
Retained profits/(accumulated losses)		<u>(12,176)</u>	<u>13,313</u>
Total equity		<u>192,316</u>	<u>170,142</u>

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

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve - cash flow hedges \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2017	74,347	50	(205)	8,498	82,690
Profit after income tax expense for the year	-	-	-	10,951	10,951
Other comprehensive income for the year, net of tax	-	(791)	845	-	54
Total comprehensive income for the year	-	(791)	845	10,951	11,005
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 4)	82,583	-	-	-	82,583
Dividends paid	-	-	-	(6,136)	(6,136)
Balance at 30 June 2018	156,930	(741)	640	13,313	170,142

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve - cash flow hedges \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	156,930	(741)	640	13,313	170,142
Adjustment on adoption of AASB 16	-	-	-	(672)	(672)
Balance at 1 July 2018 - restated	156,930	(741)	640	12,641	169,470
Loss after income tax expense for the year	-	-	-	(14,386)	(14,386)
Other comprehensive income for the year, net of tax	-	1,546	(640)	-	906
Total comprehensive income for the year	-	1,546	(640)	(14,386)	(13,480)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 4)	46,757	-	-	-	46,757
Dividends paid	-	-	-	(10,431)	(10,431)
Balance at 30 June 2019	203,687	805	-	(12,176)	192,316

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

	Note	Consolidated Unaudited 2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		258,133	132,449
Payments to suppliers and employees (inclusive of GST)		(250,238)	(119,081)
Interest received		381	246
Interest and other finance costs paid		(5,575)	(2,172)
Income taxes paid		(9,381)	(3,883)
		<u> </u>	<u> </u>
Net cash from/(used in) operating activities		(6,680)	7,559
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	5	(28,323)	(102,548)
Payment for prior period purchase of businesses		-	(4,276)
Payments for investments		(1)	-
Payments for property, plant and equipment		(5,199)	(2,762)
Payments for intangibles		(6,637)	(3,790)
Proceeds from disposal of business		3,725	-
Proceeds from disposal of property, plant and equipment		1,827	-
Proceeds from disposal of intangibles		4,151	-
Proceeds from release of security deposits		81	-
Loan repayment		-	500
		<u> </u>	<u> </u>
Net cash used in investing activities		(30,376)	(112,876)
Cash flows from financing activities			
Proceeds from issue of shares	4	47,830	69,980
Share issue transaction costs		(1,073)	(5,880)
Proceeds from borrowings (net)		-	67,749
Repayment of borrowings (net)		(5,438)	-
Dividends paid		(10,431)	(4,696)
		<u> </u>	<u> </u>
Net cash from financing activities		30,888	127,153
Net increase/(decrease) in cash and cash equivalents		(6,168)	21,836
Cash and cash equivalents at the beginning of the financial year		40,392	18,556
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year		<u><u>34,224</u></u>	<u><u>40,392</u></u>

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

Note 1. General information

The preliminary 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 year. Paragon Care Limited and its subsidiaries together are referred to in these financial statements as the 'Group'. The financial statements are presented in Australian dollars, which is Paragon Care Limited's functional and presentation currency.

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

50-54 Clayton Road
Clayton VIC 3168

Note 2. 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.

The Group has early adopted new Accounting Standard AASB 16 'Leases', which replaces AASB 117 'Leases'. No other new or amended Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Group manufactures and sells a range of medical products to the wholesale and end user market. Sales are recognised when the Company has delivered products and there is no unfilled obligation that could affect the customer's acceptance of the product. The consideration receivable is typically on terms of between 30 to 60 days. The transaction price is allocated to all performance obligations identified in the contract. Amounts disclosed as revenue are net of returns, trade allowances and rebates.

Note 2. New or amended Accounting Standards and Interpretations adopted (continued)

Customer acquisition costs and costs to fulfil a contract, subject to certain criteria, are capitalised as an asset and amortised over the contract period.

The Group has a Technology and Service platform. Revenue from services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on actual service provided as a percentage of the total service to be provided.

AASB 16 Leases

The Group early adopted AASB 16 from 1 July 2018 notwithstanding that the standard is mandatorily effective for accounting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. 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 operating costs) 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. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

The Group has assessed the requirement of AASB 9 and there was no impact from the adoption of AASB 9.

The impact on the financial performance and position of the Group from the adoption of AASB 15 is immaterial. There is no retrospective adjustment to the financial report required.

AASB 16 'Leases' had a material impact on the financial statements. The Group previously classified operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and liabilities for most leases on the statement of financial position.

The Group has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months remaining to the lease term.

The Group applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated. For the purposes of applying the modified retrospective approach to the leases, the Group has elected to measure the right-of-use assets at carrying amounts determined as if it had applied AASB 16 since the commencement date of the lease using its incremental borrowing rate at the date of initial application.

Ongoing lease payments are split between depreciation and interest expenses. Interest expenses on the lease liability is a component of financial costs, which are presented in the statement of profit or loss.

Note 2. New or amended Accounting Standards and Interpretations adopted (continued)

The impact upon disclosure in the current financial statements of adoption of the new standards is presented below:

EXTRACT

	<i>Disclosure under current standards \$'000 (as reported)</i>	<i>Disclosure under previous standards \$'000</i>	<i>Change \$'000</i>
Statement of profit or loss			
Revenue - interest (AASB 15)	236,094	236,669	(575)
Interest revenue calculated using the effective interest method (AASB 15)	575	-	575
Administration (AASB 9 and AASB 16)	(69,730)	(69,016)	(714)
Impairment of assets (AASB 9)	(37)	-	(37)
Profit before income tax expense from continuing operations	12,190	12,941	(751)
Income tax expense	(3,416)	(3,416)	-
Profit after income tax expense from continuing operations	<u>8,774</u>	<u>9,525</u>	<u>(751)</u>

EXTRACT

	<i>Disclosure under current standards (as reported) \$'000</i>	<i>Disclosure under previous standards \$'000</i>	<i>Change \$'000</i>
Statement of financial position			
Right-of-use assets	20,923	-	20,923
Lease liabilities	(19,221)	-	(19,221)
Net assets	<u>192,316</u>	<u>190,614</u>	<u>1,702</u>

AASB 16

	<i>1 July 2018 \$</i>
Right-of-use assets (AASB 16)	24,707
Lease liabilities (AASB 16)	(24,707)
Accrued lease liability (AASB 16)	(672)
Decrease in opening retained earnings as at 1 July 2018	<u>(672)</u>

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.

Note 3. Discontinued operations

Description

On 29 November 2018, the Company announced that as part of the Group-wide transformation program, it had commenced a strategic review of the business operations, particularly the capital equipment operations.

This strategic review included an evaluation of the business. Paragon renewed its vision and strategy with an increased focus on 'high technology and recurring revenues'. This Company decided to divest its Capital and Consumable operations as part of the wider strategic review of its operations and growth targets.

On 30 June 2019, the Company completed the divestment of the Capital and Consumable operation to Cabrini Health Limited, a well-established not-for-profit operator of hospitals and aged care facilities.

Financial performance information

	Consolidated	
	Unaudited	
	2019	2018
	\$'000	\$'000
Sale of goods	20,604	19,302
Cost of sales	(13,046)	(12,812)
Gross profit	<u>7,558</u>	<u>6,490</u>
Other income	994	5
Interest revenue calculated using the effective interest method	(194)	-
	<u>800</u>	<u>5</u>
Distribution	(995)	(570)
Marketing	(41)	(10)
Occupancy	(288)	(1,122)
Administration	(12,822)	(8,977)
Impairment of assets	(76)	(1)
Finance costs	-	(8)
Total expenses	<u>(14,222)</u>	<u>(10,688)</u>
Loss before income tax benefit	(5,864)	(4,193)
Income tax benefit	4,106	1,258
Loss after income tax benefit	<u>(1,758)</u>	<u>(2,935)</u>
Loss on disposal before income tax	(21,402)	-
Income tax expense	-	-
Loss on disposal after income tax expense	<u>(21,402)</u>	<u>-</u>
Loss after income tax benefit from discontinued operations	<u><u>(23,160)</u></u>	<u><u>(2,935)</u></u>

Note 3. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	Unaudited	
	2019	2018
	\$'000	\$'000
Trade and other receivables	99	-
Inventories	7,595	-
Property, plant and equipment	1,545	-
Other non-current assets	1,000	-
Total assets	<u>10,239</u>	<u>-</u>
Provisions	576	-
Total liabilities	<u>576</u>	<u>-</u>
Net assets	<u>9,663</u>	<u>-</u>

Details of the disposal

	Consolidated	
	Unaudited	
	2019	2018
	\$'000	\$'000
Total sale consideration	3,725	-
Carrying amount of net assets disposed	<u>(9,663)</u>	<u>-</u>
Loss on disposal before income tax	(5,938)	-
Impairment of goodwill	<u>(15,464)</u>	<u>-</u>
Loss on disposal after income tax	<u>(21,402)</u>	<u>-</u>

Note 4. Equity - issued capital

	Unaudited 2019 Shares	Consolidated 2018 Shares	Unaudited 2019 \$'000	2018 \$'000
Ordinary shares - fully paid	337,885,292	283,647,930	203,687	156,930

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2017	165,018,009		74,347
Issue of shares as part consideration for the acquisition of Medtek Pty Ltd	14 August 2017	55,432	\$0.9020	50
Issue of shares for part consideration for the earn-out payable to the vendors of the Western Biomedical business acquired in October 2015	14 August 2017	470,488	\$0.9020	424
Issue of shares pursuant to the Company's dividend re-investment plan	6 October 2017	670,677	\$0.8870	595
Issue of shares as part consideration for the acquisition of the Anaequip Medical Trust business	25 January 2018	550,898	\$0.8350	460
Issue of shares pursuant to the Company's entitlement issue to institutional investors of 1 new share for each 2.8 shares held	19 February 2018	25,077,179	\$0.7250	18,181
Placement to sophisticated and professional investors	19 February 2018	36,694,414	\$0.7250	26,603
Issue of shares as part consideration for the acquisition of Surgical Specialities business	2 March 2018	8,823,338	\$0.7250	6,397
Issue of shares pursuant to the Company's entitlement issue to retail investors of 1 new share	5 March 2018	15,704,966	\$0.7250	11,386
Issue of shares of the shortfall of the Company's entitlement issue to retail investors of 1 new share for each 2.8 shares held	5 March 2018	18,778,957	\$0.7250	13,615
Issue of shares pursuant to the Company's dividend re-investment plan	12 April 2018	1,203,572	\$0.7020	845
Issue of shares as part consideration for the acquisition of REM Systems business	12 June 2018	10,600,000	\$0.7673	8,134
Share issue transaction costs				(4,107)
Balance	30 June 2018	283,647,930		156,930
Issue of shares as part consideration for the acquisition of REM Systems business	2 August 2018	2,056,256	\$0.7650	1,578
Issue of shares to Pioneer Australia, Pioneer Hong Kong, Pioneer Holdings, PioneerBV1, Tian Tian, UBS Trustees and the Lis	14 September 2018	16,483,517	\$0.9100	15,000
Issue of shares pursuant to the Company's dividend re-investment plan	12 October 2018	1,004,167	\$0.7167	720
Issue of shares to Pioneer Australia, Pioneer Hong Kong, Pioneer Holdings, PioneerBV1, Tian Tian, UBS Trustees and the Lis	20 November 2018	33,934,869	\$0.8900	30,203
Issue of shares pursuant to the Company's dividend re-investment plan	26 April 2019	758,553	\$0.4331	329
Share issue transaction costs				(1,073)
Balance	30 June 2019	337,885,292		203,687

Note 5. Business combinations

2019

Lovell Surgical Pty Ltd

On 5 July 2018, the Company acquired 100% of the shares in Lovell Surgical Pty Ltd. As per the sale agreement, the vendors are entitled to an earnout of 3.5 times the EBITDA growth between FY18 and FY21.

Total Communications Pty Ltd

On 21 November 2018 the Company acquired 100% of the shares in Total Communication Pty Ltd. Total Communication is a unique acquisition providing an integrated vendor management and support solution to the aged care sector. These products cover Telephony, Nurse Calls, Access Control, CCTV, Cordless and Healthcare Wi-Fi requirements. As per the sale agreement, the vendors are entitled to an earnout of 3 times the EBITDA growth on forecasted FY20. Whilst this payment is uncapped, it's unlikely to go beyond the anticipated range of \$1.80 million and \$2.85 million.

Details of the business combinations during the year are as follows:

	<i>Lovell Surgical Fair value \$'000</i>	<i>Total Communi- cations Fair value \$'000</i>	<i>Total Fair value \$'000</i>
Net working capital	8	1,397	1,405
Plant and equipment	367	369	736
Deferred tax asset	50	70	120
Employee benefits	(168)	(235)	(403)
Net assets acquired	257	1,601	1,858
Goodwill	743	28,538	29,281
Acquisition-date fair value of the total consideration transferred	<u>1,000</u>	<u>30,139</u>	<u>31,139</u>
Representing:			
Cash paid or payable to vendor	1,000	27,323	28,323
Vendor earnout	-	2,817	2,817
	<u>1,000</u>	<u>30,140</u>	<u>31,140</u>
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	1,000	30,140	31,140
Less: payments to be made in future periods	-	(2,817)	(2,817)
Net cash used	<u>1,000</u>	<u>27,323</u>	<u>28,323</u>

Note 5. Business combinations (continued)

2018

REM Systems

On 8 June 2018 the Company acquired 100% of the shares in REM Systems Limited a medical distribution company based in New Zealand. It is the leading supplier of medical and surgical products/consumables to hospitals and specialists in Australasia. Paragon now has a platform for a direct to market strategy for the New Zealand health and aged care sectors. Paragon has inherited a highly skilled and experienced management team.

As the acquisition of REM Systems Limited occurred on 8 June 2018 the revenue and profit of the Group for the year ended 30 June 2018 reflects trading for 8 June to 30 June 2018 of the acquired business.

The vendors are entitled to a payment of 4.5 times the EBITDA growth from 2017 in 2019 and 2020. The payments are calculated on the 12 months trading to 31 March 2020 and 2021. Any payment made in respect of FY20 is deducted from any amount payable in FY21. The payment is uncapped. The contingent consideration was estimated by calculating the present value of the future expected cashflows. The likely range is anticipated to be between \$3,800,000 and \$5,800,000.

Immuno Pty Ltd

On 24 May 2018 the Company acquired 100% of the shares in Immuno Pty Ltd a Supplier of advanced Pathology equipment, reagents and software for customers who include major hospitals, Government and private pathology labs, medical research centres and larger medical practices in Australia and New Zealand. Paragon has inherited a highly skilled and experienced management team.

As the acquisition of Immuno Pty Ltd occurred on 24 May 2018 the revenue and profit of the Group for the year ended 30 June 2018 reflects trading for 24 May to 30 June 2018 of the acquired business.

Immulab Pty Ltd

On 9 April 2018 the Company acquired 100% of CSL Immunohaematology business (renamed Immulab Pty Ltd) a Supplier of vital reagent red blood cell products used in pathology laboratories across Australia and New Zealand. It is the leading supplier of vital reagent red blood cell products to laboratories, hospitals and specialists in Australia and New Zealand. Paragon has inherited a highly skilled and experienced management team.

As the acquisition of 100% of CSL Immunohaematology business occurred on 9 April 2018 the revenue and profit of the Group for the year ended 30 June 2018 reflects trading for 9 April to 30 June 2018 of the acquired business.

Labgear Pty Ltd

On 15 May 2018 the Company acquired 100% of the shares in Labgear Pty Ltd a medical distribution company based in Queensland. It is the leading supplier of scientific products including equipment, consumables and technical service with a national presence. Paragon now has a platform for a direct to market strategy for the Queensland. Paragon Care has inherited a highly skilled and experienced management team.

As the acquisition of 100% of shares in Labgear Pty Ltd occurred on 15 May 2018 the revenue and profit of the Group for the year ended 30 June 2018 reflects trading for 15 May to 30 June 2018 of the acquired business.

An amount of \$1,163,000 recognised as an earn-out payment has been written back during the year as the earn-out hurdles were not achieved.

Surgical Specialties Pty Ltd

On 28 February 2018 the Company acquired 100% of the shares in Surgical Specialties Group a distributor of surgical medical devices to the Australian and New Zealand market, based in Sydney. It is the leading distributors in Orthopaedic, Pain Management and Infection Prevention sectors. Paragon now has a strong platform foundation in the Orthopaedic, Pain Management and Infection Prevention sectors of the rapidly growing medical device market in both Australia and New Zealand. Paragon Care has inherited a highly skilled and experienced management team.

As the acquisition of 100% of shares in Surgical Specialties Group occurred on 28 February 2018 the revenue and profit of the Group for the year ended 30 June 2018 reflects trading for 28 February to 30 June 2018 of the acquired business.

Note 5. Business combinations (continued)

The vendors are entitled to a payment of 4.5 times the EBITDA growth between CY18 and CY19. The payments are calculated on the 12 months trading to 31 Dec 2019 and 2020. Any payment made in respect of 2019 is deducted from any amount payable in 2020. The total payment is uncapped. The contingent consideration was estimated by calculating the present value of the future expected cashflows. The likely range is anticipated to be between \$1,100,000 and \$3,100,000.

Medtech Solutions Pty Ltd

On 15 January 2018 the Company acquired 100% of the shares in Medtech Solutions as a "Third Party" Medical Engineering company servicing multi-vendor, multi-modality equipment of varying technical complexity, based in NSW. This business is highly complementary to Paragon's existing service offerings under the branding of Paragon Service & Technology.

As the acquisition of 100% of shares in Medtech Solution on 15 January 2018 the revenue and profit of the Group for the year ended 30 June 2018 reflects trading for 15 January to 30 June 2018 of the acquired business.

Anaequip Medical Pty Ltd

On 26 January 2018 the Company acquired 100% of the shares in Anaequip Medical, a multi-agency distributor of medical products based in South Australia. Anaequip has strong long-standing relationships with Australian medical suppliers and distributes to a wide range of South Australian healthcare facilities in the acute, aged care, allied health and laboratory sectors. Paragon now has increasing its geographic reach through complimentary acquisitions and organic growth. Paragon Care has inherited a highly skilled and experienced management team.

As the acquisition of 100% of shares in Anaequip Medical on 26 January 2018 the revenue and profit of the Group for the year ended 30 June 2018 reflects trading for 26 January to 30 June 2018 of the acquired business.

Insight Surgical Pty Ltd

On 22 December 2017 the Company acquired 100% of the shares in Insight Surgical Pty Ltd, a leading supplier of ophthalmic products servicing customers Australia-wide. Insight Surgical offers a highly complementary portfolio to Paragon's existing business, Designs for Vision. Paragon Care has inherited a highly skilled and experienced management team.

As the acquisition of 100% of shares in Insight Surgical Pty Ltd on 22 December 2017 the revenue and profit of the Group for the year ended 30 June 2018 reflects trading for 22 December to 30 June 2018 of the acquired business.

Medtek Pty Ltd

On 14 August 2017 the Company acquired 100% of the Medtek Pty Ltd, Medtek focuses on the Far North Queensland region and specialises in providing high-quality biomedical engineering services and preventative maintenance to the Medical, Scientific, Aged Care and Allied Health clientele in the region. Paragon now has increased penetration into the region with direct representation, has expanded its service and maintenance offering and established a sales gateway for the balance of its product portfolio. Paragon Care has inherited a highly skilled and experienced management team.

As the acquisition of 100% of Medtek Pty Ltd, on 14 August 2017 the revenue and profit of the Group for the year ended 30 June 2018 reflects trading for 14 August to 30 June 2018 of the acquired business.

Impact of acquisition on the results of the Group

AASB 3 'Business Combinations' requires disclosure of revenue and profit and loss of the acquired entity from date of acquisition, and disclosure of revenue and profit and loss of the Group for the current reporting period as though the acquisition date for all business combinations had been as of 1 July 2017. Management has determined that this is impracticable after consideration of all relevant factors in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Note 5. Business combinations (continued)

Summary of business combinations during the year are as follows:

	<i>REM Systems Fair value \$'000</i>	<i>Immulab Fair value \$'000</i>	<i>Immuno Fair value \$'000</i>	<i>Labgear Fair value \$'000</i>	<i>Surgical Specialities Fair value \$'000</i>	<i>Sub-total c/fwd Fair value \$'000</i>
Net working capital	19,514	2,978	523	445	1,340	24,800
Plant and equipment	3,698	-	64	74	3,277	7,113
Contract	2,493	-	-	-	-	2,493
Deferred tax asset	177	259	77	28	112	653
Employee benefits	(415)	(863)	(257)	(94)	(261)	(1,890)
Net assets acquired	25,467	2,374	407	453	4,468	33,169
Goodwill	42,110	4,107	1,499	6,463	28,943	83,122
Acquisition-date fair value of the total consideration transferred	<u>67,577</u>	<u>6,481</u>	<u>1,906</u>	<u>6,916</u>	<u>33,411</u>	<u>116,291</u>
Representing:						
Cash paid or payable to vendor	53,060	6,481	1,906	5,753	24,888	92,088
Paragon Care Limited shares issued to vendor	9,712	-	-	-	6,397	16,109
Vendor earnout	4,805	-	-	1,163	2,126	8,094
	<u>67,577</u>	<u>6,481</u>	<u>1,906</u>	<u>6,916</u>	<u>33,411</u>	<u>116,291</u>
Cash used to acquire business, net of cash acquired:						
Acquisition-date fair value of the total consideration transferred	67,577	6,481	1,906	6,916	33,411	116,291
Less: payments to be made in future periods	(4,805)	-	-	-	(2,126)	(6,931)
Less: vendor earnout not achieved	-	-	-	(1,163)	-	(1,163)
Less: shares issued by Company as part of consideration	(9,712)	-	-	-	(6,397)	(16,109)
Net cash used	<u>53,060</u>	<u>6,481</u>	<u>1,906</u>	<u>5,753</u>	<u>24,888</u>	<u>92,088</u>

Note 5. Business combinations (continued)

	<i>Sub-total b/fwd Fair value \$'000</i>	<i>Medtech Solutions Fair value \$'000</i>	<i>Anaequip Medical Fair value \$'000</i>	<i>Insight Surgical Fair value \$'000</i>	<i>Medtek Fair value \$'000</i>	<i>Total Fair value \$'000</i>
Net working capital	24,800	(85)	334	1,044	208	26,301
Plant and equipment	7,113	-	176	94	143	7,526
Contract	2,493	-	-	-	-	2,493
Deferred tax asset	653	-	36	14	19	722
Employee benefits	(1,890)	-	(120)	(45)	(63)	(2,118)
Net assets/(liabilities) acquired	33,169	(85)	426	1,107	307	34,924
Goodwill	83,122	2,640	1,854	4,702	393	92,711
Acquisition-date fair value of the total consideration transferred	<u>116,291</u>	<u>2,555</u>	<u>2,280</u>	<u>5,809</u>	<u>700</u>	<u>127,635</u>
Representing:						
Cash paid or payable to vendor	92,088	2,555	1,820	5,303	650	102,416
Paragon Care Limited shares issued to vendor	16,109	-	460	-	50	16,619
Vendor earnout	8,094	-	-	506	-	8,600
	<u>116,291</u>	<u>2,555</u>	<u>2,280</u>	<u>5,809</u>	<u>700</u>	<u>127,635</u>
Cash used to acquire business, net of cash acquired:						
Acquisition-date fair value of the total consideration transferred	116,291	2,555	2,280	5,809	700	127,635
Less: payments to be made in future periods	(6,931)	-	-	(506)	-	(7,437)
Less: vendor earnout not achieved	(1,163)	-	-	-	-	(1,163)
Less: shares issued by Company as part of consideration	(16,109)	-	(460)	-	(50)	(16,619)
Net cash used	<u>92,088</u>	<u>2,555</u>	<u>1,820</u>	<u>5,303</u>	<u>650</u>	<u>102,416</u>

Summary of vendor earnout is as follows:

	Consolidated Unaudited	
	2019 \$'000	2018 \$'000
Vendor payables		
Vendor payable from acquisitions during the year	3,317	8,599
Vendor payable from prior period acquisitions	6,336	695
Total vendor payables	<u>9,653</u>	<u>9,294</u>
Represented by:		
Current - Vendor payables	-	1,201
Non-current - Vendor payables	9,653	8,093
	<u>9,653</u>	<u>9,294</u>

Note 6. Earnings per share

Continuing operations

	Consolidated	
	Unaudited	2018
	2019	2018
	\$'000	\$'000
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax attributable to the owners of Paragon Care Limited	8,774	13,886
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	320,601,057	203,113,038
Adjustments for calculation of diluted earnings per share:		
Performance rights	238,340	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	320,839,397	203,113,038
	Cents	Cents
Basic earnings per share	2.74	6.84
Diluted earnings per share	2.73	6.84

Discontinued operations

	Consolidated	
	Unaudited	2018
	2019	2018
	\$'000	\$'000
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Paragon Care Limited	(23,160)	(2,935)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	320,601,057	203,113,038
Weighted average number of ordinary shares used in calculating diluted earnings per share	320,601,057	203,113,038
	Cents	Cents
Basic earnings per share	(7.22)	(1.45)
Diluted earnings per share	(7.22)	(1.45)

Performance rights issued in the year have not been included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive due to the losses incurred in the year.

Note 6. Earnings per share (continued)

For profit/(loss)

	Consolidated	
	Unaudited	
	2019	2018
	\$'000	\$'000
<i>Earnings per share for profit/(loss)</i>		
Profit/(loss) after income tax attributable to the owners of Paragon Care Limited	<u>(14,386)</u>	<u>10,951</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>320,601,057</u>	<u>203,113,038</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>320,601,057</u>	<u>203,113,038</u>
	Cents	Cents
Basic earnings per share	(4.49)	5.39
Diluted earnings per share	(4.49)	5.39

Performance rights issued in the year have not been included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive due to the losses incurred in the year.