

# **Jayex Healthcare Limited**

**ABN 15 119 122 477**

**Annual Report - 31 December 2018**

# Jayex Healthcare Limited

## Contents

31 December 2018

Corporate directory	2
Directors' report	3
Auditor's independence declaration	16
Consolidated statement of profit or loss and other comprehensive income	17
Consolidated statement of financial position	18
Consolidated statement of changes in equity	19
Consolidated statement of cash flows	20
Notes to the consolidated financial statements	21
Directors' declaration	55
Independent auditor's report to the members of Jayex Healthcare Limited	56
Shareholder information	60

## General information

The financial statements cover Jayex Healthcare Ltd as a consolidated entity consisting of Jayex Healthcare Limited ("the Company") and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Jayex Healthcare Limited's functional and presentation currency.

Jayex Healthcare Ltd is a for-profit company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

### Registered office

Level 4  
100 Albert Road  
South Melbourne VIC 3205

### Principal place of business

17B Cribb Street  
Milton QLD 4064

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 March 2019. The directors have the power to amend and reissue the financial statements.

**Jayex Healthcare Limited**  
**Corporate directory**  
**31 December 2018**

Directors	Michael Boyd Brian Renwick Agam Jain Michael Chan
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205
Principal place of business	17B Cribb Street Milton QLD 4064
Share register	Boardroom Pty Ltd Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Phone: 1300 737 760 (in Australia); +61 29290 9600 (international)
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5, Level 22 727 Collins Street Melbourne VIC 3008
Solicitors	SWS Lawyers 41-45 Newcomen Street Newcastle NSW 2300
Stock exchange listing	Jayex Healthcare Limited shares are listed on the Australian Securities Exchange (ASX code: JHL)
Website	<a href="http://jayexhealthcare.com.au">http://jayexhealthcare.com.au</a>

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Jayex Healthcare Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2018.

**Directors**

The following persons were directors of Jayex Healthcare Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Michael Boyd (Chairman)  
Brian Renwick (Non-Executive Director)  
Agam Jain (Non-Executive Director)  
Michael Chan (Non-Executive Director)

**Principal activities**

During the financial year the principal continuing activities of the consolidated entity consisted of the development and provision of healthcare industry service technologies and the development of integrated dispensing automation systems for the pharmaceutical and healthcare sectors.

**Dividends**

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

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$1,125,000 (31 December 2017: \$2,496,000).

**Positive Overall Improvements**

The Company has successfully implemented its priority activities for 2018, which included ensuring that the Company reduced its losses, continued to invest in its core healthcare capabilities, as well as invest in future leading-edge healthcare opportunities.

Further, and importantly, the Company continues to demonstrate the positive improvements from the extensive restructuring program initiated in 2017.

The key achievements include:

- Completion of the "Jayex Connect Platform" in Q4 2018 – being a critical cloud-based development in the presentation to customers of the Company's 'end-to-end' integrated healthcare technologies
- Completion of procedures for the roll-out of the Jayex Connect Platform in January 2019
- No further loan advances during 2018 under the loan agreement – reflecting continued financial improvement and closer alignment of the business operating costs with revenues, and
- Significant improvement in the margins and profitability of the Company compared to prior periods.

We are pleased that, after much effort, the Company is now well-positioned to realise on the benefits of the reconstruction program, including the rationalisation of the Company's technologies through the innovative Jayex Connect platform.

**New Jayex Connect Platform**

A major achievement has been the successful completion and rolling out the Jayex Connect Platform. The Connect Platform is a new and innovative cloud-based Patient Engagement platform which provides all the tools for our customers in a single, integrated easy-to-use dashboard environment.

The Connect Platform provides the Company's customers with all the online tools needed to improve the patient experience and boost patient engagement within the continuum of healthcare.

This Platform will not only provide our customers with an enhanced and improved system from Jayex, it will also give in the coming months and years further capability, supporting better health outcomes by deploying additional capability in telehealth applications, wearable health monitoring devices, as well as deploying Artificial Intelligence know-how.

## **New Opportunities**

The Company continues to look at new opportunities to expand the application of its existing technologies into new markets, and for complimentary technologies to enhance the breadth of our potential customers.

Jayex continues to monitor and pursue opportunities to commercialise its proprietary P2U® electronic prescription processing technology and BluePoint® remote dispensing terminal technology in respect to the prescribing, sale and distribution of legally approved medical cannabis products.

The Company has invested approximately \$350,000 in the development of technologies and, in particular the P2U® and BluePoint® technologies, to support the growing global medical cannabis market. The global medical cannabis market size in 2017 was estimated by Research and Markets to be more than US\$ 11 billion. The global market is expected by Research and Markets to grow and reach an estimated US\$ 37 billion by 2023. This is a CAGR of around 22% during 2017-2023. Jayex with its current enhanced technologies will be able to support this growing market.

The Company will also continue to look at future investments and opportunities in this growth market in 2019 and beyond.

## **Financial Improvements**

The Company continued to benefit from the restructuring program that was initiated on the 1st June 2017 and continued into the 1st quarter of 2018. The most obvious benefit was the improvement of EBIT loss after income tax. The loss for the consolidated entity after providing for income tax amounted to \$1,125,000 (31 December 2017: \$2,496,000). In addition, no further loan advances during 2018 under the loan agreement were undertaken by the Company. This reflected continued financial improvement as well as closer alignment of the business operating costs with revenues.

The improved financial position of the Company was also assisted through the significant improvement in the margins and profitability of the customers' projects that Jayex undertook. These margin improvements are a direct result of our development program. In 2018 Jayex delivered to our customers more Jayex developed capability rather than relying on third-party capability. Our expenses related to raw materials and consumables used were reduced by \$848,000 in 2018.

Revenue for the group was down 8.4%, from \$7.503m in 2017 to \$6.749m. The reduction in revenue was primarily due to delays imposed by customers, whereby customer sites were not ready to accept delivery of, or installations of, Jayex equipment and services ordered by those customers and therefore invoicing by Jayex for those orders was delayed.

## **Significant changes in the state of affairs**

On 4 June 2018, the Consolidated entity issued 8,740,150 fully paid ordinary shares to Directors in lieu of outstanding Directors fees pursuant to Resolutions 4 to 7 of the Company's Notice of Annual General Meeting held on 25 May 2018 as approved by shareholders.

On 18 June 2018, the Consolidated entity issued 250,000 fully paid ordinary shares to exercise of options expiring 2 February 2019.

On 13 July 2018, the Consolidated entity issued 5,000,000 fully paid ordinary shares and 15,000,000 unlisted performance rights in accordance with the terms and conditions of the Consulting Term Sheet executed on 6 July 2018 between the Company and Mr Ross Smith.

On 19 October 2018, the Consolidated entity announced the termination of the conditional healthcare technology licence agreement entered into with MediCann NZ Ltd and MediGlobal Ltd on 6 July 2018. The Consolidated group denies MediCann's statement that the termination was due to a conflict of interest and failure to disclose solvency issues and reserves all of its rights.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

## **Matters subsequent to the end of the financial period**

The following matters have arisen since 31 December 2018 that have significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

On 18 March 2019 the Company announced to the market that:

- It was implementing a revised strategy to commercialise its P2U® script processing and BluePoint® remote dispensing technologies in New Zealand's emerging medical cannabis market and had established a wholly-owned NZ subsidiary, with an experienced, qualified and high-profile NZ board to guide and execute this strategy;
- an application for the appropriate licenses to establish a medical cannabis research facility, and, subject to regulations being passed, commercially cultivate medical cannabis, was progressing with NZ's Ministry of Health;
- commercial discussions to produce medical cannabis products for distribution via the Company's technology were ongoing, and were subject to the granting of licences and regulation; and
- based on current plans, the Company expected to have completed the required modifications to its BluePoint® technology to suit the NZ medical cannabis market by the end of Q3 2019.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

Information on likely developments in the operations of the consolidated entity and the expected results of operations are as follows:

Our ultimate goal remains unchanged. Jayex seeks to create superior healthcare solutions that are user-friendly for patients, reliable and easy to maintain for healthcare professionals, offer good value for purchasers and provide long-term returns for our investors, while creating a Company culture that employees feel valued in and proud of.

We will do this by accelerating our development, as well as look to partners, collaborators and M&A opportunities to create a comprehensive end-to-end capability healthcare platform. This platform will support patients and healthcare professionals in the Primary, Secondary, Tertiary and 'Green' care markets, ranging from but not limited to audiology, cancer management, community, dental, general practices, outpatients, phlebotomy, and x-ray.

We will incorporate artificial intelligence algorithms, internet of things, and data analysis that will vastly improve healthcare outcomes for patients, whilst providing such services at very competitive rates to service healthcare providers.

Jayex currently touches 50 million patients annually across these care markets. We will capitalise and utilise our installed base to deliver further and enhanced capability to these care markets through our comprehensive and growing end-to-end cloud-based platform. Our platform will provide everything from Appointment booking, Patient calling, Patient check-in, through to health messaging, self-care monitoring, script management, remote terminal dispensing of pharmaceutical and/or medical cannabis products and telehealth solutions.

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

**Information on directors**

Name: Michael Boyd  
Title: Executive Chairman  
Qualifications: B.Comm (UWA) Grad. Dip App Fin  
Experience and expertise: Michael Boyd is the Chairman of the Company and has been involved since its inception in 2004. Based in Melbourne, he has led the corporate structuring of the Company and the development of the Group's strategic vision. On a practical level he has initiated contacts with all stakeholder groups including professional bodies, regulatory boards, wholesale distributors and pharmacy groups and individuals.

Mr. Boyd has been involved in the creation of new enterprises, both in the private and public sectors, for over 26 years. Mr. Boyd has been successful in developing and growing new projects in diverse areas including healthcare, telecommunications and finance.

Trained as a Chartered Accountant, he was a founding Director and Chairman of Sonic Healthcare Ltd, now an ASX listed top 50 company. After leaving Sonic he started Foundation Healthcare, growing it to over 800 healthcare professionals before it was acquired by Sonic. He was also a founding partner of Iridium Satellite bringing it out from bankruptcy to now a NASDAQ listed company.

Other current directorships: -  
Former directorships (last 3 years): -  
Special responsibilities: Member of Audit and Risk Committee, member of Remuneration and Nomination Committee  
Interests in shares: 78,798,079 fully paid ordinary shares

Name: Brian Renwick  
Title: Non-Executive Director  
Qualifications: MBA, FCA, B.Bus (Accounting) Monash  
Experience and expertise: Mr. Renwick is very broadly experienced across the pharmaceutical and healthcare sector in Australia. His involvement with sector commenced in finance roles that led into commercial analysis, marketing and sales. From this broad commercial experience in the manufacturing end of the supply chain he moved into the wholesaling segment with various business development roles in retail and hospital pharmacy. Mr Renwick's roles broadened into commercial and business development including as general manager for a corporate pharmacy business. He has completed two Business Development roles within the CSL Limited group.

With his detailed commercial knowledge and broad experience across the healthcare segment, Brian has provided consulting advice to Jayex since 2006 and is an important member of the team.

Other current directorships: -  
Former directorships (last 3 years): -  
Special responsibilities: Chairman of Audit and Risk Committee, Chairman of Remuneration and Nomination Committee  
Interests in shares: 1,245,653 fully paid ordinary shares

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

Name:	Agam Jain
Title:	Non-Executive Director
Qualifications:	B Sc.
Experience and expertise:	Based in London, Mr Jain has over 30 years' experience as Managing Director of Jayex Technology Limited, with extensive hands on experience in mentoring management teams, sales, international business, CRM and Accounting systems.
	He is a graduate in Physics from Imperial College, London and had many years of sales experience with multinationals in his early career, subsequently progressing to managing diverse business operations.
	Mr Jain has been the founder of several successful companies in IT, finance, electronics and media.
Other current directorships:	-
Former directorships (last 3 years):	-
Special responsibilities:	Member of Audit and Risk Committee, member of Remuneration and Nomination Committee
Interests in shares:	23,312,061 fully paid ordinary shares
Name:	Michael Chan
Title:	Non-Executive Director
Qualifications:	Diploma of Financial Services
Experience and expertise:	Mr Chan has extensive experience in broad based financial services for the past 30 years with hands on knowledge in both consumer and commercial segments.
	Michael is the founder and Managing Director at AMG Corporate Pty Ltd, a holder of an Australian Credit Licence which is primarily a debt advisory business.
	Prior to establishing AMG, Michael worked in key roles involved with strategic business development and marketing at several companies, both in the private and public sectors.
	Michael has had a past affiliation with Make a Wish Foundation and more recently is the founder and chairman of The Mate Foundation – a men's health initiative with its principal purpose to help raise awareness of men's health diseases, which is due to launch shortly. He has over the years also undertaken philanthropic work for various other charities and causes in his community.
Other current directorships:	-
Former directorships (last 3 years):	-
Interests in shares:	1,705,025 fully paid ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**

Ms Melanie Leydin was appointed Company Secretary on 19 August 2015. Ms Leydin graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. Ms Leydin has over 25 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations and is a director and company secretary for a number of entities listed on the Australian Securities Exchange.



### Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the period ended 31 December 2018, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held	Audit & Risk Committee Attended	Audit & Risk Committee Held	Remuneration & Nomination Committee Attended	Remuneration & Nomination Committee Held
Michael Boyd	9	9	-	-	-	-
Brian Renwick	8	9	2	2	-	-
Agam Jain	9	9	2	2	-	-
Michael Chan	8	9	1	2	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

### Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

### *Principles used to determine the nature and amount of remuneration*

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In past consultation with external remuneration consultants, the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Company's affairs.

Non-executive directors may be paid such additional or special remuneration as the directors decide is appropriate where a director performs extra work or services which are not in the capacity as Director of the Company or a subsidiary.

*Executive remuneration*

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

*Consolidated entity performance and link to remuneration*

The remuneration of the Non-Executive Directors is not linked to the performance, share price or earnings of the consolidated entity.

Remuneration for certain executives is expected to be directly linked to the performance of the consolidated entity. As noted above the Company is currently reviewing proposals for the STI and LTI programs, which may be linked to the performance, share price or earnings of the consolidated entity.

Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years or, if the Company has been listed on the ASX for less than five years, the period from ASX listing to the date of this report.

***Details of remuneration***

*Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables. Unless otherwise noted, the named persons were key management personnel for the whole of the period ended 31 December 2018.

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

The key management personnel of the consolidated entity consisted of the following directors of Jayex Healthcare Limited:

- Michael Boyd (Chairman)
- Brian Renwick (Non-Executive Director)
- Agam Jain (Non-Executive Director)
- Michael Chan (Non-Executive Director)

And the following persons:

- Nick Fernando (Chief Executive Officer)
- Tony Panther (Chief Financial Officer) (left the Company on 31 March 2018)
- Nathan Woodard (Chief Financial Officer) (appointed 28 August 2018)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees **	Cash bonus	Cash allowance	Super-annuation	Long service leave	Equity-settled - options	Termination benefit	Total
2018	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Mr M Boyd (Chair)	60,000	-	-	-	-	-	-	60,000
Mr B Renwick	30,000	-	-	-	-	-	-	30,000
Mr M Chan	30,000	-	-	-	-	-	-	30,000
Mr A Jain	55,188	-	-	-	-	-	-	55,188
<i>Other Key Management Personnel:</i>								
Mr N Fernando*	239,099	17,711	-	-	-	-	-	256,810
Mr T Panther**	46,250	-	-	4,394	-	-	36,178	86,822
Mr. N Woodard***	49,408	-	-	-	-	-	-	49,408
	<u>509,945</u>	<u>17,711</u>	<u>-</u>	<u>4,394</u>	<u>-</u>	<u>-</u>	<u>36,178</u>	<u>568,228</u>

\* The bonus was paid in cash and was determined in accordance with the Board's assessment of achievement of relevant performance criteria in relation to the recipient, including: Group revenue, market share, technical developments, business development, internal collaboration and integration, customer satisfaction.

\*\* Mr T Panther ceased employment with the Company on 31 March 2018, as agreed with the Company. A termination benefit was paid in accordance with contractual obligations.

\*\*\* Mr N Woodard was employed by Jayex Technology Limited from 28 August 2018.

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees** \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Total \$
<b>2017</b>							
<i>Non-Executive Directors:</i>							
Mr M Boyd (Chair)	60,000	-	-	-	-	-	60,000
Mr B Renwick	30,000	-	-	-	-	-	30,000
Mr M Chan*	22,500	-	-	-	-	-	22,500
<i>Executive Directors:</i>							
Mr A Jain	54,318	-	-	-	-	-	54,318
<i>Other Key Management Personnel:</i>							
Mr N Fernando	226,853	-	-	-	-	-	226,853
Mr T Panther	185,000	-	-	17,575	-	-	202,575
	578,671	-	-	17,575	-	-	596,246

\* Mr Chan was appointed on 27 March 2017

\*\* As from 1 February 2017 the Mr Boyd and Mr Jain have not drawn cash fees for their services and these fees have been accrued. Mr Renwick has not drawn cash fees for his services as from 1 July 2017 and Mr Chan has not drawn cash fees for his services as from 1 August 2017 and their respective fees have been accrued.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
Mr M Boyd	100%	100%	-	-	-	-
Mr B Renwick	100%	100%	-	-	-	-
Mr M Chan	100%	100%	-	-	-	-
Mr M Jain	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Mr N Fernando	100%	100%	-	-	-	-
Mr T Panther	100%	100%	-	-	-	-
Mr. N Woodard	100%	-	-	-	-	-

**Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Nick Fernando
Title:	Chief Executive Officer, Jayex Technology Limited
Agreement commenced:	Effective commencement date with Jayex Healthcare Limited Group - 15 December 2015
Term of agreement:	No fixed term. Each party may terminate the agreement by giving one months' notice. The Company may make payment in lieu of part of all of the notice period.
Details:	Base salary £135,000 per annum.

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

Name: Nathan Woodard  
Title: Chief Financial Officer  
Agreement commenced: 28 August 2018  
Term of agreement: No fixed term. Each party may terminate the agreement by giving one months' notice. The Company may make payment in lieu of part of all of the notice period.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***Share-based compensation***

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the years ended 31 December 2018 or 31 December 2017.

On 04 June 2018, the Group announced that 8,740,150 shares had been issued to Directors all of which were in settlement of existing liabilities for outstanding accrued Directors fees pursuant to Resolutions 4 to 7 of the Company's Notice of Annual General Meeting held on 25 May 2018 as approved by shareholders.

*Options*

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2018.

***Additional information***

The earnings of the consolidated entity for the two years to 31 December 2018 are summarised below:

	2018 \$'000	2017 \$'000
Sales revenue	6,749	7,503
EBITDA	(342)	(1,919)
EBIT	(885)	(2,437)
Loss after income tax	(1,125)	(2,496)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2018	2017	2016
Share price at financial year end (cents)	1.9	1.6	5.0

As the Company was first listed on the Australian Securities Exchange (ASX) on 17 December 2015, there is limited relevant information regarding the consolidated entity's earnings and performance for past financial years. The tables above show, for information purposes:

- earnings data for the full financial years since the Company's ASX listing; and
- the closing market price of the Company's shares on the ASX on the last day of the reporting periods since the Company's ASX listing.

***Additional disclosures relating to key management personnel***

***Shareholding***

The number of shares in the Company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration**	Shares acquired	Disposals/ other*	Balance at the end of the period
<i>Ordinary shares</i>					
Mr M Boyd	81,822,554	3,481,055	-	(6,505,530)	78,798,079
Mr B Renwick	115,000	1,130,653	-	-	1,245,653
Mr A Jain	19,213,378	3,123,417	975,266	-	23,312,061
Mr M Chan	300,000	1,005,025	400,000	-	1,705,025
	<u>101,450,932</u>	<u>8,740,150</u>	<u>1,375,266</u>	<u>(6,505,530)</u>	<u>105,060,818</u>

\* Includes shares held when the person commenced or ceased as a member of key management personnel.

\*\* On 04 June 2018, the Group announced that 8,740,150 shares had been issued to Directors all of which were in settlement of existing liabilities for outstanding accrued Directors fees pursuant to Resolutions 4 to 7 of the Company's Notice of Annual General Meeting held on 25 May 2018 as approved by shareholders.

***Other transactions with key management personnel and their related parties***

During the financial period:

- loans were made by the company's chairman to the consolidated entity; and
- payments of rental premises were made to a related entity of a director of the consolidated entity

Details of these transactions are disclosed below:

***Transactions with related parties***

The following transactions occurred with related parties. All transactions were carried out on arm's length terms on a basis which is no more or less favourable than if the transactions had occurred with non-related entities.

	<b>Consolidated 2018 \$</b>	<b>Consolidated 2017 \$</b>
Other transactions:		
Loan interest paid or payable to Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	146,200	115,347
Premises rent paid or payable by Jayex Technology Limited to Vector Capital Limited (an entity controlled by Agam Jain, a director of the consolidated entity)	132,832	126,029

***Receivable from and payable to related parties***

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated 2018 \$</b>	<b>Consolidated 2017 \$</b>
Current payables:		
Accrued loan interest payable to Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	126,679	8,702

The payables due to related parties were payable on demand and did not bear interest.

***Loans to/from related parties***

The following balances are outstanding at the reporting date in relation to loans with related parties:

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

	<b>Consolidated 2018 \$</b>	<b>Consolidated 2017 \$</b>
Non-current borrowings:		
Loans from Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	3,055,000	2,885,000

*Terms and conditions*

The terms of the loans made by Covenant Holdings (WA) Pty Ltd to companies within the consolidated entity are as follows:

Loan to Jayex Healthcare Limited: Balance at 31 December 2018 and 31 December 2017 - \$2,000,000; interest rate - 8% per annum

Loan to Jayex Healthcare Limited: Balance at 31 December 2018 - \$1,000,000 (31 December 2017: \$830,000); interest rate - 12% per annum

Loan to P2U Pty Ltd: Balance at 31 December 2018 and 31 December 2017 - \$55,000; loan is interest free.

All loans are unsecured and are repayable on 1 April 2020.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

There were no unissued ordinary shares of Jayex Healthcare Limited under option outstanding at the date of this report.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

**Shares under performance rights**

Unissued ordinary shares of Jayex Healthcare Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
13 July 2018	Vest upon satisfaction of defined performance conditions	\$0.00	15,000,000

No person entitled to exercise the performance right had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

**Shares issued on the exercise of options**

There were no ordinary shares of Jayex Healthcare Limited issued on the exercise of options during the period ended 31 December 2018 and up to the date of this report.

**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in note 25 to the financial statements.

**Jayex Healthcare Limited**  
**Directors' report**  
**31 December 2018**

The directors are satisfied that the provision of non-audit services during the financial period, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**Officers of the Company who are former partners of Grant Thornton Audit Pty Ltd**

There are no officers of the Company who are former partners of Grant Thornton Audit Pty Ltd.

**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 on page 15.

**Auditor**

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



---

Michael Boyd  
Chairman

28 March 2019  
Melbourne




## Auditor's Independence Declaration

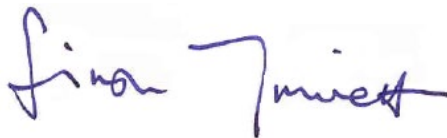
### To the Directors of Jayex Healthcare Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Jayex Healthcare Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



S C Trivett  
Partner - Audit & Assurance

Melbourne, 28 March 2019

**Jayex Healthcare Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the period ended 31 December 2018**

	<b>Note</b>	<b>Consolidated 2018 \$'000</b>	<b>2017 \$'000</b>
<b>Revenue</b>	4	6,749	7,503
Other income		125	-
<b>Expenses</b>			
Raw materials and consumables used		(1,249)	(2,097)
Employee benefits expense	5	(3,744)	(4,562)
Professional services expenses		(338)	(683)
Depreciation and amortisation expense	5	(543)	(518)
Consultancy expenses		(684)	(511)
Travel expenses		(158)	(246)
Marketing expenses		(242)	(246)
Net foreign exchange loss		(50)	(138)
Rental expense		(250)	(326)
Other expenses		(501)	(614)
Finance costs	5	(357)	(184)
<b>Loss before income tax benefit</b>		(1,242)	(2,622)
Income tax benefit	6	117	126
<b>Loss after income tax benefit for the period attributable to the owners of Jayex Healthcare Limited</b>		(1,125)	(2,496)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		13	(76)
Other comprehensive income for the period, net of tax		13	(76)
<b>Total comprehensive income for the period attributable to the owners of Jayex Healthcare Limited</b>		<u>(1,112)</u>	<u>(2,572)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	33	(0.7)	(1.6)
Diluted earnings per share	33	(0.7)	(1.6)

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

**Jayex Healthcare Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2018**

	<b>Note</b>	<b>Consolidated 2018 \$'000</b>	<b>2017 \$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	418	1,015
Trade and other receivables	8	1,499	1,262
Inventories	9	388	314
Other	10	57	95
Total current assets		<u>2,362</u>	<u>2,686</u>
<b>Non-current assets</b>			
Receivables	11	27	50
Property, plant and equipment	12	58	83
Intangibles	13	9,176	9,293
Total non-current assets		<u>9,261</u>	<u>9,426</u>
<b>Total assets</b>		<u>11,623</u>	<u>12,112</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,336	1,256
Borrowings	15	-	9
Employee benefits	16	54	77
Provisions	17	252	303
Contract liabilities	18	1,534	1,482
Other liabilities	18	-	118
Total current liabilities		<u>3,176</u>	<u>3,245</u>
<b>Non-current liabilities</b>			
Borrowings	19	3,054	2,885
Deferred tax	20	718	827
Total non-current liabilities		<u>3,772</u>	<u>3,712</u>
<b>Total liabilities</b>		<u>6,948</u>	<u>6,957</u>
<b>Net assets</b>		<u>4,675</u>	<u>5,155</u>
<b>Equity</b>			
Issued capital	21	25,996	25,420
Reserves	22	(1,724)	(1,793)
Accumulated losses	23	(19,597)	(18,472)
<b>Total equity</b>		<u>4,675</u>	<u>5,155</u>

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

**Jayex Healthcare Limited**  
**Consolidated statement of changes in equity**  
**For the period ended 31 December 2018**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Shared-based payment reserve \$'000</b>	<b>Foreign exchange reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 January 2017	24,940	446	(1,779)	(15,976)	7,631
Loss after income tax benefit for the period	-	-	-	(2,496)	(2,496)
Other comprehensive income for the period, net of tax	-	-	(76)	-	(76)
Total comprehensive income for the period	-	-	(76)	(2,496)	(2,572)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 34)	-	96	-	-	96
Exercise of options	480	(480)	-	-	-
Balance at 31 December 2017	<u>25,420</u>	<u>62</u>	<u>(1,855)</u>	<u>(18,472)</u>	<u>5,155</u>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Shared-based payment reserve \$'000</b>	<b>Foreign exchange reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 January 2018	25,420	62	(1,855)	(18,472)	5,155
Loss after income tax benefit for the period	-	-	-	(1,125)	(1,125)
Other comprehensive income for the period, net of tax	-	-	13	-	13
Total comprehensive income for the period	-	-	13	(1,125)	(1,112)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 21)	514	-	-	-	514
Share-based payments (note 34)	-	118	-	-	118
Exercise of options	62	(62)	-	-	-
Balance at 31 December 2018	<u>25,996</u>	<u>118</u>	<u>(1,842)</u>	<u>(19,597)</u>	<u>4,675</u>

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

**Jayex Healthcare Limited**  
**Consolidated statement of cash flows**  
**For the period ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		7,832	8,789
Payments to suppliers and employees (inclusive of GST)		(8,506)	(10,991)
		(674)	(2,202)
Interest and other finance costs paid		(76)	(139)
Net cash used in operating activities	32	(750)	(2,341)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	12	-	(17)
Payments for intangibles	13	-	(223)
Net cash used in investing activities		-	(240)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		170	2,955
Repayment of borrowings		-	(670)
Net cash from financing activities		170	2,285
Net decrease in cash and cash equivalents		(580)	(296)
Cash and cash equivalents at the beginning of the financial period		1,015	1,334
Effects of exchange rate changes on cash and cash equivalents		(17)	(23)
Cash and cash equivalents at the end of the financial period	7	418	1,015

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

## **Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

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

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised later in this section.

### **Going concern**

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The working capital position as at 31 December 2018 of the consolidated entity, as disclosed in the statement of financial position, is an apparent excess of current liabilities over current assets of \$814,000 (2017: \$559,000). However, the current liabilities as at 31 December 2018 contain a number of liability accounts, including provision accounts, revenue received in advance accounts and unearned revenue accounts, which represent the results of accounting adjustments and do not represent amounts currently payable, or expected to become payable, to third parties. If these liability accounts are removed from the calculation of working capital at 31 December 2018, the adjusted working capital has a surplus of approximately \$972,000.

The cash balance at 31 December 2018 was \$418,000 (2017: \$1,015,000).

The consolidated entity incurred a net loss after tax for the financial year ended 31 December 2018 of \$1,125,000 (financial year ended 31 December 2017: \$2,496,000) and had net cash outflows from operating activities of \$750,000 (financial year ended 31 December 2017: \$2,341,000).

Notwithstanding these results, the directors believe that the company will be able to continue as a going concern and as a result the financial statements have been prepared on a going concern basis. The accounts have been prepared on the assumption that the company is a going concern for the following reasons:

- the consolidated entity's main product, the Enlighten system, remains viable and competitive, and is capable of further technical development and improvement and therefore remains an important source of profitable and cash-generating activity for the consolidated entity;
- the consolidated entity has undertaken, and is continuing to carry out, organisational restructuring with the objective of minimising costs without compromising revenue and cash-generating capacity. These measures have already generated cost savings, with further savings expected to be made in the forthcoming financial year;
- the ability of the consolidated entity to further scale back parts of its operations and reduce costs if required;
- the Board is of the opinion that the consolidated entity has, or shall have access to, sufficient funds to meet planned corporate activities and working capital requirements; and
- as the Company is an ASX-listed entity, the consolidated entity has the ability to raise additional funds if required.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

### **New Accounting Standards and Interpretations adopted as at 1 January 2018**

#### *AASB 15: Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 January 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The standard require:

**Note 1. Significant accounting policies (continued)**

- contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract
- determination of the transaction price, adjusted for the time value of money excluding credit risk
- allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist
- recognition of revenue when each performance obligation is satisfied

Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers, the significant judgments made in applying the guidance to those contracts, and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Consolidated Entity has concluded that revenue from its sales should be recognised either at the point in time or over the time, when (or as) the Consolidated Entity satisfies performance obligations by transferring the promised services to its customers. The adoption of AASB 15 did not have an impact on the timing or the amount of revenue recognition.

On the date of initial application of AASB15, 1 January 2018, the Consolidated entity reclassified \$1,600,000 from other liabilities to contract liabilities.

Credit risk is presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation is satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity selects an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. 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.

*AASB 9: Financial instruments*

The consolidated entity has adopted AASB9 from 1 January 2018. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139.

To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset, and subsequent consideration as to whether there have been any significant increases in credit risk on an ongoing basis at each reporting period. To assess whether there is a significant increase in credit risk the consolidated entity compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

In making this assessment, as far as available, the consolidated entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the consolidated entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the consolidated entity's core operations.

In particular, as far as available, the following information is taken into account when assessing significant movements in credit risk:

**Note 1. Significant accounting policies (continued)**

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- external credit rating
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the consolidated entity and changes in the operating results of the borrower
- macroeconomic information such as market interest rates and growth rates

The Consolidated Entity assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Consolidated Entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. There is no material effect on the Consolidated entity recognition or measurement of financial assets or liabilities trade receivables, there is no change to the impairment allowance at 1 January 2018 (of nil) and no impairment allowance at 31 December 2018 due to favourable credit history.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the year ended 31 December 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

**AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (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 will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 31 December 2019 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities



**Note 1. Significant accounting policies (continued)**

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Jayex Healthcare Ltd ('Company' or 'parent entity') as at 31 December 2018 and the results of all subsidiaries for the period then ended. Jayex Healthcare Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. Details of subsidiaries are included in Note 31.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is Jayex Healthcare Limited's functional and presentation currency.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Note 1. Significant accounting policies (continued)**

**Revenue recognition**

The consolidated entity predominantly derives revenue from the sale of goods and services. Significant contracts with customers depict various performance obligations, such as:

- Supply and delivery of equipment, along with the software license to run on such equipment. This also include installation services and web portal access;
- Additional services (if contracted and included to that standard services agreement);
- Annual, ongoing software license and support services;
- Software customisation (development) and related support services; and
- Annual and ongoing extended warranty services.

To determine whether to recognise revenue, the Consolidated entity follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Consolidated entity satisfies performance obligations by transferring the promised goods or services to its customers.

*Rendering of services*

All deals are done on an annual basis with the option to pay for additional year(s)' warranty and software support at the time of the sale in advance. Revenue is recognised on a straight-line basis over the term of the contract for such services. This method best depicts the transfer of services to the customer as the Consolidated entity's historical experience demonstrates no statistically significant variation in the quantum of services provided in each year of a multi-year contract.

Under AASB 15, the Consolidated entity concluded that revenue from warranty and software support services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Consolidated entity.

The Consolidated entity recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Consolidated entity satisfies a performance obligation before it receives the consideration, the Consolidated entity recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

*Equipment (Kiosk) sale and installation*

The supply, installation and commissioning of requested equipment by the consolidated entity to the customer in accordance with a contract. Revenue is recognized at the point in time when the equipment has been commissioned and commences operation in accordance with specifications, at which point the performance obligation is satisfied. The equipment can only be installed by the company, as such the customer cannot derive benefits from the equipment until after installation of the software to run it, consequently, the revenue is recognized at a point in time after installation.

*Software licences*

Provision, over a specified period, of licence permitting and enabling the customer to access and use the software product supplied by the consolidated entity. Revenue is recognized on a straight line basis over the specified period, i.e. over time.

*Extended warranties*

Provision, over a specified period, of an extended warranty in favour of the customer to repair or replace equipment previously supplied by the consolidated entity. Revenue is recognized on a straight line basis over the specified warranty period, i.e. over time.

**Note 1. Significant accounting policies (continued)**

**Software support services**

Provision by the consolidated entity, over a specified period, of telephone and online software support services to the customer, whereby client queries and problems are resolved by consolidated entity staff as required. Revenue is recognized on a straight line basis over the specified period, i.e. over time.

**Software development services**

The supply, installation and commissioning of specific specialised software enhancements as required by the customer, which are outside of, or in addition to, the standard software product offered by the consolidated entity. Revenue is recognized over time as and when the software development services are delivered and recognition ceases once the project has been commissioned and commences operation in accordance with customer specifications at which point the performance obligation is satisfied. At this point any further service provided in relation to such development would be covered by Software support services as described above.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Inventories**

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Motor vehicles	4 - 5 years
Computer equipment	3 years
Office equipment	3 - 5 years
Furniture and fittings	4 - 5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

**Note 1. Significant accounting policies (continued)**

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition.

Intangible assets acquired separately are initially recognised at cost.

Intangible assets with indefinite useful lives are not amortised, but treated for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. Amortisation expense is included in depreciation and amortisation expense in the Statement of profit or loss and other comprehensive income.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

**Note 1. Significant accounting policies (continued)**

*Goodwill*

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

*Patents and trademarks*

All patent and trademark costs for the year are capitalised in the statement of financial position at cost. The patents and trademarks have not yet commenced to be amortised as the technology related to the relevant patents and trademarks is still under development and has not yet reached the stage where it is ready for use by the Company as intended by management.

*Software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis generally over 5-7 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

When these assets are acquired as part of a business combination they are recognised separately from goodwill. The assets are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

*Customer relationships*

When these assets are acquired as part of a business combination they are recognised separately from goodwill. The assets are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

Amortisation is calculated on a straight-line basis generally over the assets' estimated useful lives of 10 years.

**Note 1. Significant accounting policies (continued)**

**Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Financial instruments**

*Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Consolidated entity becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*Classification and initial measurement of financial assets*

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

*Subsequent measurement of financial assets*

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments at fair value through other comprehensive income (FVTOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

*Financial assets at amortised cost*

*Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The consolidated entity's trade and most other receivables fall into this category of financial instruments that were previously classified as loans and receivables under AASB 139.*

**Note 1. Significant accounting policies (continued)**

The Consolidated Entity does not have any financial instruments in the categories FVTPL, Equity FVTOCI and Debt FVTOCI.

*Impairment of financial assets*

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Consolidated entity considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

*Trade and other receivables and contract assets*

The Consolidated entity assess impairment of trade receivables on a collection basis as they possess shared credit risk characteristics they have been grouped on the days past due.

*Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Consolidated entity's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the relevant accounting policy is disclosed below.

The Consolidated entity's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where and to the extent applicable, adjusted for transaction costs unless the Consolidated entity designate a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and if applicable charges in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**Provisions**

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

*Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

**Note 1. Significant accounting policies (continued)**

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either:

(i) the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions; or,

(ii) Barrier option pricing model which takes into account largely the same factors as the above model, but also takes into account the relevant predetermined level (the barrier), with the fair value calculated using a trinomial lattice.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.



**Note 1. Significant accounting policies (continued)**

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Jayex Healthcare Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for share splits or bonus elements in ordinary shares issued during the financial period.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Note 1. Significant accounting policies (continued)**

**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 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Estimation of useful lives of assets (Notes 13 and 14)*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Goodwill and other indefinite life intangible assets (Note 14)*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets (Note 14)*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is organised into two operating segments: Australia and United Kingdom (UK). 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), excluding capital-raising expenses and share-based payments. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

No changes to the policy above have occurred during the financial year.

*Intersegment transactions*

Intersegment transactions were made at market rates. The Australian operating segment charges a management fee to the United Kingdom operating segment. Intersegment transactions are eliminated on consolidation.

**Note 3. Operating segments (continued)**

*Major customers*

The consolidated entity does not have a major customer that contributes more than 10% or more to the consolidated entity's revenue.

*Geographical information*

	Sales to external customers		Geographical non-current assets	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Australia	1,097	1,038	320	502
United Kingdom	5,777	6,465	8,941	8,924
	<u>6,874</u>	<u>7,503</u>	<u>9,261</u>	<u>9,426</u>

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

**Note 4. Revenue**

	Consolidated	
	2018 \$'000	2017 \$'000
Sales revenue	<u>6,749</u>	<u>7,503</u>

Sales revenue is revenue generated from the consolidated entity's healthcare industry service provision businesses.

For 2018, revenue includes \$1,270,000 (2017: \$1,205,000) included in the contract liability balance at the beginning of the period.

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2018 \$'000	2017 \$'000
Major product lines		
Supply and installation of Kiosks (at a point of time)	3,387	4,472
Software licences and support services (over time)	2,373	2,038
Extended warranty (over time)	669	614
Software development customisation services (over time)	89	176
Software development supports services (over time)	231	203
	<u>6,749</u>	<u>7,503</u>

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 5. Expenses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	26	29
<i>Amortisation</i>		
Software	213	201
Customer relationships	304	288
Total amortisation	517	489
Total depreciation and amortisation	543	518
<i>Finance costs</i>		
Interest and finance charges paid/payable	357	184
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	250	326
<i>Superannuation expense</i>		
Defined contribution superannuation expense	48	123
<i>Share-based payments expense</i>		
Share-based payments expense	458	96
<i>Employee benefits expense excluding superannuation and share based payments</i>		
Employee benefits expense excluding superannuation and share based payments	3,696	4,343

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 6. Income tax benefit**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax benefit</i>		
Current tax	28	(19)
Deferred tax - origination and reversal of temporary differences	(145)	(107)
Aggregate income tax benefit	<u>(117)</u>	<u>(126)</u>
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 20)	(145)	(107)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(1,242)	(2,622)
Tax at the statutory tax rate of 27.5%	(342)	(721)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	126	26
Non-assessable R&D tax incentive receivable	(156)	(95)
Difference in overseas tax rates	(87)	(119)
Sundry items	13	24
	(446)	(885)
Current period tax losses not recognised	493	926
Prior period tax losses not recognised now recouped	(14)	(60)
Current period temporary differences not recognised	(150)	(46)
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	(61)
Income tax benefit	<u>(117)</u>	<u>(126)</u>

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Amounts charged directly to equity</i>		
Deferred tax liabilities (note 20)	36	-
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	13,360	11,596
Potential tax benefit @ 27.5%	3,674	3,189

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

**Note 7. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	<u>418</u>	<u>1,015</u>

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 8. Trade and other receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	1,457	1,226
Other receivables	18	18
GST receivable	24	18
	<u>1,499</u>	<u>1,262</u>

All of the Consolidated entity's trade and other receivables have been reviewed for indicators of impairment and concluded that there is no impairment allowance at 31 December 2018 as the main clients of the Consolidated entity are hospitals which have not demonstrated any difficulties in making payment.

**Note 9. Inventories**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Stock on hand - at cost	<u>388</u>	<u>314</u>

**Note 10. Other**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	<u>57</u>	<u>95</u>

**Note 11. Receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Other receivables	<u>27</u>	<u>50</u>

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 12. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Motor vehicles - at cost	71	70
Less: Accumulated depreciation	(59)	(48)
	<u>12</u>	<u>22</u>
Office equipment - at cost	252	241
Less: Accumulated depreciation	(222)	(202)
	<u>30</u>	<u>39</u>
Furniture and fittings - at cost	70	68
Less: Accumulated depreciation	(54)	(46)
	<u>16</u>	<u>22</u>
	<u><u>58</u></u>	<u><u>83</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial period are set out below:

<b>Consolidated</b>	Furniture & fittings \$'000	Office equipment \$'000	Computer equipment \$'000	Motor vehicle \$'000	Total \$'000
Balance at 1 January 2017	12	49	-	33	94
Additions	15	1	1	-	17
Depreciation expense	(5)	(13)	-	(10)	(28)
	<u>22</u>	<u>37</u>	<u>1</u>	<u>23</u>	<u>83</u>
Balance at 31 December 2017	22	37	1	23	83
Exchange differences	(1)	3	-	(1)	1
Depreciation expense	(6)	(10)	-	(10)	(26)
	<u>15</u>	<u>30</u>	<u>1</u>	<u>12</u>	<u>58</u>
Balance at 31 December 2018	<u><u>15</u></u>	<u><u>30</u></u>	<u><u>1</u></u>	<u><u>12</u></u>	<u><u>58</u></u>

**Note 13. Intangibles**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill - at cost	9,944	9,676
Less: Impairment	(4,085)	(4,085)
	<u>5,859</u>	<u>5,591</u>
Patents and trademarks - at cost	586	586
Software platform - at cost	1,255	1,201
Less: Accumulated amortisation - Software	(685)	(444)
	<u>570</u>	<u>757</u>
Customer relationships - at cost	3,254	3,113
Less: Accumulated amortisation - Customer relationships	(1,093)	(754)
	<u>2,161</u>	<u>2,359</u>
	<u><u>9,176</u></u>	<u><u>9,293</u></u>

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 13. Intangibles (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial period are set out below:

<b>Consolidated</b>	<b>Goodwill \$'000</b>	<b>Patents &amp; trademarks \$'000</b>	<b>Software platform \$'000</b>	<b>Customer relationships \$'000</b>	<b>Total \$'000</b>
Balance at 1 January 2017	5,539	586	740	2,643	9,508
Additions	-	-	223	-	223
Exchange differences	52	-	(5)	4	51
Amortisation expense	-	-	(201)	(288)	(489)
Balance at 31 December 2017	5,591	586	757	2,359	9,293
Exchange differences	268	-	27	106	401
Amortisation expense	-	-	(214)	(304)	(518)
Balance at 31 December 2018	<u>5,859</u>	<u>586</u>	<u>570</u>	<u>2,161</u>	<u>9,176</u>

In 2015 the consolidated entity acquired Jayex Technology Limited (JUK), which is based in the United Kingdom, and Appointuit Pty Ltd (Appointuit). Both of these companies operate technologies which are complementary to the technology which is the subject of the patents and therefore enhanced technology business relationships upon which to pursue discussions in key world markets. The majority of the consolidated entity's technologies were acquired through the acquisitions of JUK and Appointuit.

**Patents & trademarks**

The carrying value of patents & trademarks has been assessed on a fair value less costs to sell methodology. An independent valuation was obtained during the year ended 30 June 2015 which made several key assumptions about the potential sizes of the markets for the patents and trademarks, adoption rates and revenues and costs associated with transactions. The directors have re-considered the carrying value in reference to this report and believe that there have been no material changes to the assumption used that would result in impairment to the patents and trademarks.

**Goodwill**

For the purpose of ongoing annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises:

	<b>Consolidated</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Jayex Technology Limited (United Kingdom)	<u>5,859</u>	<u>5,591</u>



**Note 13. Intangibles (continued)**

Methodology

An impairment loss expense in the profit or loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The Company determined the recoverable amounts of Jayex Technology Limited CGU using a value in use approach.

The recoverable amounts of the CGU has been determined by valuation models that estimated the future cash flows relying on historical performance and growth, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

The discounted cash flow model used in the assessment of value in use is sensitive to a number of key assumptions, including revenue growth rates, discount rates, operating costs and foreign exchange rates. These assumptions can change over short periods of time and can have a significant impact on the carrying value of the assets.

Impairment testing for CGUs containing goodwill

Goodwill arose in the business combinations for the acquisition of Jayex Technology Limited in 2015. It represented the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired and contingent liabilities assumed at the date of acquisition. Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the Group's operating segments for impairment testing purposes.

In assessing whether an impairment adjustment is required for the carrying value of an asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

Value in use and key assumptions

The Company estimates the value-in-use of Jayex Technology Limited CGU using discounted cash flows. For the 2018 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using the estimated growth rates and assumptions used in the value in use calculations are stated below:

- Discount rate - 14.75%
- Foreign exchange rate - £/\$A 0.5523
- Period over which cash flows projected - 5 years
- Management has made numerous assumptions about the budgeted revenue to be achieved in 2019, and this has resulted in a revenue growth rate of 22% compared to the actual revenues in 2018, this contemplates successful launch of new products from existing assets which would increase the company's revenues and cash flows.
- Growth projections - revenue increase at average rates of 5 - 5.5% per annum, based on past trends
- Expenses increase at average rates of 3.2 - 3.8% per annum, based on past trends of reducing cost base compared to revenues
- Long term growth rate used to extrapolate cash flow projections beyond forecast period - 5.3% per annum

Apart from the considerations described in determining the value-in-use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount for the consulting unit is particularly sensitive to the discount rate. If the discount rate used is increased by 3%, an impairment loss of \$29,000 would have to be recognised.

Impairment

The Consolidated entity has performed an impairment assessment based on its cash generating units (CGU), which were the Jayex Technology Limited CGU.

The Company determined that the recoverable amount in relation the Jayex Technology Limited CGU exceeded its carrying value of assets as at 31 December 2018, therefore no adjustment to its carrying value was required.

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 14. Trade and other payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	432	506
Accrued expenses	515	409
GST payable	181	137
Other payables	208	204
	<u>1,336</u>	<u>1,256</u>

Refer to note 24 for further information on financial instruments.

**Note 15. Borrowings**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Other loans	-	9
	<u>-</u>	<u>9</u>

Refer to note 24 for further information on financial instruments.

**Note 16. Employee benefits**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Annual leave	54	77
	<u>54</u>	<u>77</u>

**Note 17. Provisions**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for warranties	238	275
Provision for credit notes	14	28
	<u>252</u>	<u>303</u>

*Warranties*

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

*Credit notes*

The provision represents the estimated credit notes which may be granted in future periods in respect of products sold prior to the reporting date. The provision is estimated based on historical credit note information, sales levels and any recent trends that may suggest future issues of credit notes could differ from historical amounts.

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 17. Provisions (continued)**

*Movements in provisions*

Movements in each class of provision during the current financial period, other than employee benefits, are set out below:

	Warranties \$'000	Credit notes \$'000
<b>Consolidated - 2018</b>		
Carrying amount at the start of the period	275	28
Reduction in provision required	(37)	(14)
Carrying amount at the end of the period	<u>238</u>	<u>14</u>

**Note 18. Contract and other liabilities**

Other liabilities consist of the following:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Other liabilities</b>		
Contract liabilities - Deferred service income	1,534	1,482
Revenue received in advance	-	118
Carrying amount at the end of the period	<u>1,534</u>	<u>1,600</u>

Deferred revenue represents sales invoiced in advance for the provision of contracted services.

**Note 19. Borrowings**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Borrowings - non-current	<u>3,054</u>	<u>2,885</u>

Refer to note 24 for further information on financial instruments.

These loans have been advanced to the consolidated entity by a related party. Refer Note 29 for further information.

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 20. Deferred tax**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Intangible assets arising from business combinations	658	765
Property, plant and equipment	6	8
Development costs	54	64
Carry forward tax losses	-	(10)
	<u>718</u>	<u>827</u>
Deferred tax liability	<u>718</u>	<u>827</u>
<i>Movements:</i>		
Opening balance	827	934
Credited to profit or loss (note 6)	(145)	(107)
Charged to equity (note 6)	36	-
	<u>718</u>	<u>827</u>
Closing balance	<u>718</u>	<u>827</u>

**Note 21. Issued capital**

	<b>2018</b>	<b>Consolidated</b>	
	<b>Shares</b>	<b>2017</b>	<b>2018</b>
		<b>Shares</b>	<b>\$'000</b>
			<b>2017</b>
			<b>\$'000</b>
Ordinary shares - fully paid	<u>167,613,024</u>	<u>153,622,874</u>	<u>25,996</u>
			<u>25,420</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>No of shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 January 2017	152,122,874		24,940
Issue of shares upon exercise of options	12 January 2017	750,000	\$0.32	240
Issue of shares upon exercise of options	24 November 2017	750,000	\$0.32	240
Balance	31 December 2017	153,622,874		25,420
Shares issued to Directors	04 June 2018	8,740,150	\$0.02	174
Issue of shares upon exercise of options	18 June 2018	250,000	\$0.25	62
Shares issued to Consultant	13 July 2018	5,000,000	\$0.07	340
Balance	31 December 2018	<u>167,613,024</u>		<u>25,996</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 21. Issued capital (continued)**

*Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. No external requirements have been imposed on the consolidated entity in regards to capital management.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

No changes to what is regarded as capital nor how it is managed have occurred during the financial year.

**Note 22. Reserves**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign currency reserve	(1,842)	(1,855)
Share-based payments reserve	118	62
	<u>(1,724)</u>	<u>(1,793)</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial period are set out below:

<b>Consolidated</b>	<b>Foreign currency reserve \$'000</b>	<b>Share-based payments reserve \$'000</b>	<b>Total \$'000</b>
Balance at 1 January 2017	(1,779)	446	(1,333)
Foreign currency translation	(76)	-	(76)
Amortisation of share based employee incentives	-	96	96
Exercise of options	-	(480)	(480)
Balance at 31 December 2017	(1,855)	62	(1,793)
Foreign currency translation	13	-	13
Exercise of options	-	(62)	(62)
Shared-based payments	-	118	118
Balance at 31 December 2018	<u>(1,842)</u>	<u>118</u>	<u>(1,724)</u>

**Note 23. Accumulated losses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Accumulated losses at the beginning of the financial period	(18,472)	(15,976)
Loss after income tax benefit for the period	(1,125)	(2,496)
Accumulated losses at the end of the financial period	<u>(19,597)</u>	<u>(18,472)</u>

**Note 24. Financial instruments**

***Financial risk management objectives***

The entity's principal financial instruments comprise cash and cash equivalents and loans receivable and payable. The main purpose of these financial instruments is to finance the entity's operations. The entity has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the entity's policy that no trading in financial instruments shall be undertaken.

There are no major risks arising from the entity's financial instruments, as no term deposits/cash investments are maintained. Minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

**Financial assets and liabilities**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>		
Cash at bank	418	1,015
Trade and other receivables - current	1,457	1,226
Receivables - non-current	27	50
	<u>1,902</u>	<u>2,291</u>
<b>Financial liabilities</b>		
Trade and other payables	1,336	1,256
Other loans	-	9
Borrowings - non-current	3,054	2,885
	<u>4,390</u>	<u>4,150</u>

***Market risk***

***Foreign currency risk***

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity derives approximately 86% of its revenue and 55% its operating costs, and has 89% of its assets and 44% of its liabilities located in, or arising from activities carried out by, a subsidiary company, Jayex Technology Limited (JUK), incorporated in the United Kingdom. The activities, assets and liabilities of JUK are denominated in its functional currency, the Pound Sterling (GBP).

This exposure could have a material effect on the results of the consolidated entity in the long term, in particular the exchange differences arising from the translation of the consolidated entity's net investment in JUK, and its future revenue and expense streams.

**Note 24. Financial instruments (continued)**

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rate 2018	Average exchange rates 2017	Reporting date exchange rate 2018	Acquisition date exchange rate 2017
<b>Australian dollars</b>				
Pound sterling (GBP)	0.5646	0.5951	0.5523	0.5787

As noted above, foreign currency risk arises when future commercial transactions and recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As there is no material exposure to foreign currency risk within the financial assets and financial liabilities outside of each operating entity's functional currency, the consolidated entity as a whole did not face a material foreign currency risk as at reporting date and no sensitivity analysis has been prepared.

*Price risk*

The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*

The consolidated entity is not exposed to any significant interest rate risk.

As at reporting date the consolidated entity has cash at bank of \$418,000 and borrowings of \$3,055,000. Cash at bank as at reporting date is held in a number of bank accounts, operated by the consolidated entity's parent entity and its subsidiaries and its head office function. Interest on bank accounts is insignificant. The interest rates on borrowings are at fixed rates of 8 percent per annum on a loan of \$2,000,000 and 12 percent per annum on a loan of \$1,000,000. Any feasible change in market rates is not expected to have a material impact on the financial results of the consolidated entity.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

Other than trade receivables, the consolidated entity's main counterparties are major, reputable banks and government sales tax authorities. The consolidated entity is satisfied that the risk of default on the part of these counterparties is low.

**Note 24. Financial instruments (continued)**

The Group's management considers that all of the financial assets referred to above that are not impaired or past due at the reporting date are of good credit quality.

**Liquidity risk**

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>Consolidated - 2018</b>	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	432	-	-	-	432
Accruals	-	511	-	-	-	511
Borrowings - non-current	-	-	55	-	-	55
<i>Interest-bearing - fixed rate</i>						
Borrowings - non-current	8.00%	244	2,040	-	-	2,284
Borrowings - non-current	12.00%	55	1,003	-	-	1,058
Total non-derivatives		1,242	3,098	-	-	4,340

<b>Consolidated - 2017</b>	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	506	-	-	-	506
Accruals	-	409	-	-	-	409
Borrowings - non-current	-	-	55	-	-	55
<i>Interest-bearing - fixed rate</i>						
Other loans	7.80%	9	-	-	-	9
Borrowings - non-current	8.00%	160	2,040	-	-	2,200
Borrowings - non-current	12.00%	100	855	-	-	955
Total non-derivatives		1,184	2,950	-	-	4,134

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.



**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 25. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	527,656	578,671
Post-employment benefits	40,572	17,575
	<u>568,228</u>	<u>596,246</u>

**Note 26. Remuneration of auditors**

During the financial period the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company, and its network firms:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>84,500</u>	<u>74,000</u>
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Preparation of the tax return	8,000	-
International Dealings Schedule	2,500	-
Tax consulting	<u>-</u>	<u>45,512</u>
	<u>10,500</u>	<u>45,512</u>
	<u>95,000</u>	<u>119,512</u>
<i>Audit services - network firms</i>		
Audit or review of the financial statements	<u>46,066</u>	<u>44,000</u>

**Note 27. Commitments**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	149	276
One to five years	<u>136</u>	<u>360</u>
	<u>285</u>	<u>636</u>

The operating lease commitments relate to leases of business premises used by the consolidated entity in Australia and the United Kingdom to accommodate its business activities. The leases are non-cancellable and have terms ranging from 6 months to 2 years.

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 28. Related party transactions**

*Parent entity*

Jayex Healthcare Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 30.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties. All transactions were carried out on arm's length terms on a basis which is no more or less favourable than if the transactions had occurred with non-related entities.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Other transactions:		
Loan interest paid or payable to Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	146,200	115,347
Premises rent paid or payable by Jayex Technology Limited to Vector Capital Limited (an entity controlled by Agam Jain, a director of the consolidated entity)	132,832	126,029

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Current payables:		
Accrued loan interest payable to Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	126,679	8,702

The payables due to related parties were payable on demand and did not bear interest.

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Non-current borrowings:		
Loans from Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	3,055,000	2,885,000

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 28. Related party transactions (continued)**

*Terms and conditions*

The terms of the loans made by Covenant Holdings (WA) Pty Ltd to companies within the consolidated entity are as follows:

Loan to Jayex Healthcare Limited: Balance at 31 December 2018 and 31 December 2017 - \$2,000,000; interest rate - 8% per annum

Loan to Jayex Healthcare Limited: Balance at 31 December 2018 - \$1,000,000 (31 December 2017: \$830,000); interest rate - 12% per annum

Loan to P2U Pty Ltd: Balance at 31 December 2018 and 31 December 2017 - \$55,000; loan is interest free.

All loans are unsecured and are repayable on 1 April 2020.

**Note 29. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Loss after income tax	(1,587)	(2,840)
Total comprehensive income	(1,587)	(2,840)

*Statement of financial position*

	<b>Parent</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Total current assets	30	117
Total assets	9,063	9,754
Total current liabilities	300	322
Total liabilities	3,426	3,161
Equity		
Issued capital	25,996	25,420
Share-based payments reserve	118	63
Accumulated losses	(20,477)	(18,890)
Total equity	5,637	6,593

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2018 or 31 December 2017.

*Contingent liabilities*

With the exception of any matter referred to Note 36 Contingent liabilities, the parent entity had no contingent liabilities as at 31 December 2018 or 31 December 2017.

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 29. Parent entity information (continued)**

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2018 or 31 December 2017.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- dividends received from subsidiaries are recognised as other income by the parent entity.

**Note 30. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
Bluepoint International Pty Ltd	Australia	100.00%	100.00%
P2U Pty Ltd	Australia	100.00%	100.00%
Jayex Australia Pty Ltd	Australia	100.00%	100.00%
Express RX Pty Ltd	Australia	100.00%	100.00%
Jayex Technology Limited	United Kingdom	100.00%	100.00%
Appointuit Pty Ltd	Australia	100.00%	100.00%
Jayex New Zealand Limited	New Zealand	100.00%	100.00%
Whakaora Hou Limited	New Zealand	100.00%	-

**Note 31. Events after the reporting period**

The following matters have arisen since 31 December 2018 that have significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

On 18 March 2019 the Company announced to the market that:

- It was implementing a revised strategy to commercialise its P2U® script processing and BluePoint® remote dispensing technologies in New Zealand's emerging medical cannabis market and had established a wholly-owned NZ subsidiary, with an experienced, qualified and high-profile NZ board to guide and execute this strategy;
- an application for the appropriate licenses to establish a medical cannabis research facility, and, subject to regulations being passed, commercially cultivate medical cannabis, was progressing with NZ's Ministry of Health;
- commercial discussions to produce medical cannabis products for distribution via the Company's technology were ongoing, and were subject to the granting of licences and regulation; and
- based on current plans, the Company expected to have completed the required modifications to its BluePoint® technology to suit the NZ medical cannabis market by the end of Q3 2019.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Jayex Healthcare Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 32. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax benefit for the period	(1,125)	(2,496)
Adjustments for:		
Depreciation and amortisation	543	518
Share-based payments	458	96
Non-cash interest expense	280	45
Change in operating assets and liabilities:		
Increase in trade and other receivables	(228)	(184)
Decrease/(increase) in inventories	(74)	45
Decrease/(increase) in prepayments	38	(30)
(Increase)/Decrease in Other receivables - non-current	23	(7)
Decrease in trade and other payables	(390)	(337)
Decrease in deferred tax liabilities	(115)	(101)
Increase/(decrease) in employee benefits	(43)	17
Increase/(decrease) in other provisions	(51)	25
Increase/(decrease) in deferred revenue	(66)	68
Net cash used in operating activities	<u>(750)</u>	<u>(2,341)</u>

**Note 33. Earnings per share**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax attributable to the owners of Jayex Healthcare Limited	<u>(1,125)</u>	<u>(2,496)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>168,234,988</u>	<u>152,928,353</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>168,234,988</u>	<u>152,928,353</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.7)	(1.6)
Diluted earnings per share	(0.7)	(1.6)

Number of contingent shares not included in the diluted earnings per share calculation as they are anti-dilutive: 115,068 (2017: 944,521).

**Note 34. Share-based payments**

(a) Employee options

A share option plan (Plan) has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the Company to certain employees of the consolidated entity. In accordance with the Plan options were issued in 2016 for nil consideration and were granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. As the instruments issued in 2016 have a nil exercise price, they represent performance rights; these are referred to as "options" in these financial statements and the accompanying directors' report.

Set out below are summaries of options granted under the plan:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
02/02/2016	02/02/2019	\$0.00	250,000	-	(250,000)	-	-
			<u>250,000</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>

The options issued on 2 February 2016, and exercised during the financial year, had a nil exercise price, therefore the weighted average exercise price of options issued, exercised and outstanding at year end was nil.

2017

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
02/02/2016	02/02/2019	\$0.00	1,750,000	-	(1,500,000)	-	250,000
			<u>1,750,000</u>	<u>-</u>	<u>(1,500,000)</u>	<u>-</u>	<u>250,000</u>

Set out below are the rights granted to third parties as consideration for services:

Grant date	Expiry date	2018 Number	2017 Number
13/07/2018	01/01/2015	15,000,000	-
		<u>15,000,000</u>	<u>-</u>

The weighted average share price during the financial period was \$0.0246 (2017: \$0.024).

(b) Performance Rights

The Consolidated entity on 6 July 2018 signed a legally binding term sheet by which it has engaged Mr Ross Smith as a global consultant to advise the Company on the commercialisation of its P2U®, and BluePoint® technologies for medical cannabis distribution in association with MediCann in New Zealand, and in respect to similar opportunities in Canada, certain states in the United States and potentially the United Kingdom and Australia.

**Note 34. Share-based payments (continued)**

Under the binding term sheet and the formal consulting agreement, Mr Smith is entitled to receive:

- an annual consulting fee of \$250,000 payable by the Company;
- 5 million ordinary shares upon signing the term sheet; and
- three tranches of performance rights which are subject to vesting conditions based on the implementation of the Licence Agreement and the development of the Company's medical cannabis distribution technology business.

Set out below are summaries of Rights granted to Mr Ross Smith:

2018							
Grant date	Expiry date*	Exercise price**	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
13/07/2018	12/07/2021	-	-	15,000,000	-	-	15,000,000

An amount of \$118,000 was recognised as an expense for the Rights during the current financial year.

\* The Rights do not have an expiry date attached to them, however the valuation report noted that they can be terminated subject to the relevant termination event clauses in the holder's consulting agreement. They have assumed a three-year expiry period based on advice from Management.

\*\* The Rights do not have an exercise price.

**Note 35. Contingent liabilities**

**(a) Contingent consideration on acquisition of Appointuit Pty Ltd**

A contingent consideration payable on business acquisition relates to the acquisition of Appointuit Pty Ltd ("Appointuit") made by the consolidated entity in 2015.

During the year ended 31 December 2016 the Company remeasured the contingent consideration payable in relation to the Appointuit acquisition, reducing the payable from \$2.214 million as at 31 December 2015 to nil as at 31 December 2016 due to a number of factors having a substantial impact on Appointuit's ability to achieve the EBITDA targets during the period 1 July 2015 to 30 June 2019, set as part of the contingent consideration payable.

In the event that Appointuit achieves the relevant EBITDA targets during the relevant future time period, then an amount of contingent consideration would then become payable and would be recognised as a liability at that time.

**Jayex Healthcare Limited**  
**Directors' declaration**  
**31 December 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial period 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



---

Michael Boyd  
Chairman

28 March 2019  
Melbourne



# Independent Auditor's Report

## To the Members of Jayex Healthcare Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Jayex Healthcare Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of \$1,125,000 during the year ended 31 December 2018, and as of that date, the Group had cash and cash equivalents of \$418,000 with current liabilities exceeding its total assets by \$814,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## Key audit matter

## How our audit addressed the key audit matter

### Intangible assets – Impairment (Note 13)

As at 31 December 2018, the Group has intangible assets amounting to \$9,176,000. As disclosed in Note 6 in the financial report these relate primarily to the goodwill and other intangible assets of the Jayex Technology Limited (United Kingdom) cash generating unit ("CGU").

The Directors, have assessed the intangible assets attributed to this CGU for impairment at balance date. The evaluation of the recoverable amount of the intangible assets requires significant judgement in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets including:

- discount rate;
- revenue growth rates; and
- EBITDA margin.

This assessment was considered a key audit matter as it involved critical accounting estimates and assumptions, specifically related to the valuation of the assets using a value in use model ("the model").

Our procedures included, amongst others:

- Obtaining an understanding of management's process associated with the preparation of the valuation models used to assess the recoverable amount of the CGU;
- In conjunction with our valuation experts, assessing and reviewing management's value in use calculations including:
  - Testing the mathematical accuracy of the calculations;
  - Critically evaluating the cash inflows and outflows to be generated by the CGU's assets;
  - Comparing the forecast cash flows to actual cash flows for previous years to assess the historical accuracy of the Group's forecasting; and
  - Assessing the Group's discount rate used in the model.
- Evaluating recoverable amount for compliance with the requirements of AASB 136 *Impairment of Assets*;
- Evaluating management's assessment of the sensitivity to a change in key assumptions that either individually or collectively would be required for assets to be impaired and considering the likelihood of such a movement in those key assumptions arising; and
- We also assessed the appropriateness of the disclosures in note 6 to the financial statements.

### Valuation of share-based payments (Note 34)

During the year, the Group issued performance rights to an external consultant as consideration for services to be received in the future.

The Group engaged a valuation specialist to provide a valuation of these share-based payments.

This area is a key audit matter due to the inherent subjectivity involved in the Group making judgments relating to the key inputs and assumptions used to value the performance rights, as well as the judgements required relating to vesting conditions.

Our procedures included, amongst others:

- Agreeing the issue of instruments to the relevant performance right agreements, evaluating the awards and their accounting treatment for compliance with AASB 2: *Share based payments*;
- Evaluating the qualifications, expertise and objectivity of the external specialist in order to assess their professional competence and capabilities as they relate to the work undertaken;
- Reviewing and testing the assumptions applied by:
  - verifying the reasonableness and historical accuracy; and
  - agreeing certain key inputs to the relevant terms within the performance rights agreement;

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of share-based payments (Note 34) (cont'd)</b>	<ul style="list-style-type: none"> <li>• Testing the mathematical accuracy of the valuation provided by the specialist;</li> <li>• Utilising an auditor's valuation specialist to review the appropriateness of the model used in the valuation of the share based payments;</li> <li>• Evaluating and challenging management's judgements regarding vesting conditions; and</li> <li>• Assessing the adequacy of the Group's disclosures in respect to share-based payments.</li> </ul>

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

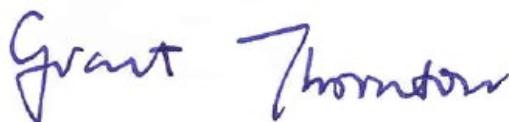
### Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 31 December 2018.

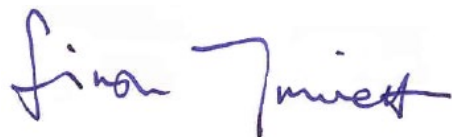
In our opinion, the Remuneration Report of Jayex Healthcare Limited, for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



S C Trivett  
Partner - Audit & Assurance

Melbourne, 28 March 2019

**Jayex Healthcare Limited**  
**Shareholder information**  
**31 December 2018**

The shareholder information set out below was applicable as at 25 March 2019.

**Corporate governance**

Refer to the Company's Corporate Governance statement at: <http://jayexhealthcare.com.au/investor/corporate-governance/>.

There is no current on-market buy-back.

**Distribution of equity securities**

Analysis of number of equity security holders by size of holding:

	Number of unquoted Performance Rights	Number of holders of ordinary shares
1 to 1,000	-	16
1,001 to 5,000	-	39
5,001 to 10,000	-	114
10,001 to 100,000	-	180
100,001 and over	1	85
	<u>1</u>	<u>434</u>
Holding less than a marketable parcel	-	182

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
COVENANT HOLDINGS(WA)PTY LTD (BOYD#4 A/C)	77,912,910	46.48
VECTOR LONDON LTD	19,003,378	11.34
MR JOHN CLIVE ALLINSON	6,580,530	3.93
MR AGAM JAIN	4,276,417	2.55
MR DEAN HENRY CLEARY (THE CLEARWAY INVESTMENT A/C)	4,140,000	2.47
DONOVAN PRODUCTS PTY LTD (FAMILY ACCOUNT)	2,746,916	1.64
MR MUN KEE CHANG	2,651,433	1.58
CITICORP NOMINEES PTY LIMITED	2,281,118	1.36
MR ROBERT JOHN MANTEL & MRS FIONA MANTEL (R & F MANTEL SUPER FUND A/C)	2,250,000	1.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,801,365	1.07
AMG CORPORATE PTY LTD (THE AMG SUPER FUND A/C)	1,705,025	1.02
MR PETER HOWELLS	1,558,243	0.93
STANTON PTY LTD (BOYD FAMILY A/C)	1,515,942	0.90
MR DENNIS CRAIG TELFORD	1,500,000	0.89
MISS OLGA OSIPOVA	1,297,946	0.77
MR BRIAN PATRICK RENWICK	1,227,840	0.73
DR CHOON-JOO KHO	1,200,000	0.72
MS MANDY JEAN RUTHERFORD	1,128,000	0.67
MR NEIL CHARLES SELMAN	1,095,712	0.65
BERNE NO 132 NOMINEES PTY LTD (W 1253672 A/C)	1,053,750	0.63
	<u>136,926,525</u>	<u>81.67</u>

**Jayex Healthcare Limited**  
**Shareholder information**  
**31 December 2018**

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Performance rights	15,000,000	1

The following persons hold 20% or more of unquoted equity securities:

<b>Name</b>	<b>Class</b>	<b>Number held</b>
Mr Ross Smith	Performance rights	15,000,000

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
Michael Boyd/Covenant Holdings (WA) Pty Ltd	78,798,079	47.01
Vector London Ltd	19,003,378	11.34

The information set out above regarding the names and number of shares held by substantial holders is as disclosed in substantial holding notices given to the Company.

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Options*

Options do not have voting rights attached.

There are no other classes of equity securities.