Jayex Healthcare Limited

ABN 15 119 122 477

Annual Report - 31 December 2019

Jayex Healthcare Limited
Contents
31 December 2019

Jayex Healthcare Limited
Corporate directory
31 December 2019

Directors	Michael Boyd Brian Renwick Agam Jain (resigned on 6 December 2019) 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	Automic Level 5, 126 Phillip Street Sydney NSW 2000 Phone: 1300 288 664 (in Australia); +61 2 9698 5414 (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	http://jayexhealthcare.com.au

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 2019.

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) (resigned on 6 December 2019)
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 $960,000 (31 December 2018: $1,125,000).

2019 Improvements

The company grew its revenue in 2019 from $6.749m in 2018 to $7.185m in 2019, representing a 6.5% increase. The company completed Phase I in 2019 of its transition from a product-based business to a cloud-based SaaS business model. This transition was enabled through the development, launch and rollout of the Jayex Connect Platform. By the close of 2019 the Jayex Connect platform was being used by 727 customers.

The Jayex Connect SaaS delivery model allows increased productivity, efficiency and profitability for both healthcare service providers and Jayex alike. Phase I of the Jayex Connect rollout contributed to reducing the company’s OPEX by 17% when compared to 2018.

The key achievements in 2019 include:

- Phase I rollout of the Jayex Connect Platform
- Revenue up 6.5%
- Expenses down 17%
- Expanded into New Zealand and increased sales by 480%
- Deployed patient engagement and queue management system at co-health Health Centre in Victoria
- Awarded contract to deploy a patient management solution in a Women’s and Childrens Hospital in Victoria
- Awarded a contract to supply a 22-kiosk patient check-in solution at the University Hospital Lewisham in London
- Awarded and delivered a contract to supply multi-tenancy Self-Check-in services for the new Alfred Barrow Health and Wellbeing Centre in Cumbria
- Significant improvement in the margins and profitability of the Company compared to prior periods.

Jayex Connect Platform

The Jayex Connect Platform is now ready to deliver enhanced and new capabilities to various healthcare markets through the cloud-based platform. The company now has a platform that is able to provide appointment booking, patient calling, patient check-in, health messaging, and script management. In addition, our 2019 signed distribution agreement with Microtech to distribute SurgeryPods in England, Wales, Australia and New Zealand extends Jayex’s capabilities to include self-care monitoring and telehealth solutions.

Phase II of the Jayex Connect Platform development and rollout will further transition existing Jayex customers on to the new cloud-based platform, add new customers to Jayex, as well as increase our capability offering to existing and new customers. The Platform will allow delivery of new capabilities and services more efficiently and effectively at a significantly reduced cost. The incremental cost of adding additional capability, services and locations within the SaaS model is now very low.

New Opportunities

The Company continues to look at opportunities where it can profit and leverage its software capabilities into the growing global medical cannabis market. The company in 2019 continued to invest in its wholly-owned New Zealand medical cannabis subsidiary, Whakaora Hou Limited (WHL). To complete the facility in New Zealand JHL invested $1.176m in 2019. This was a combination of a loan financed directly from JHL to WHL and a loan from Covenant Holdings (WA) Pty Ltd via JHL.

In addition to the Company's medical cannabis interests in New Zealand, the company embarked on leveraging its Jayex Connect Platform into the global medical cannabis healthcare market. On the 17th January 2020, Jayex and LYPHE Group signed a Heads of Terms to form a Joint Venture in 2020. The New Joint Venture will deploy software solutions based on the Jayex Connect Platform. The Joint Venture will deliver technology solutions that will fundamentally change the processes of medical cannabis fulfillment.

Financial Improvements

The Company will continue to benefit from the rollout of the Jayex Connect Platform across the markets that it operates in. Further market adoption of the SaaS model together with an anticipated launch of Appointuit in to the UK will significantly increase revenues in 2020 and beyond.

n addition, operating margins are expected to increase significantly over the next 2-3 years, once Phase II of the platform rollout is complete. Benefits of Phase II includes additional capability rollout and the realization of the re-structuring events that were completed in 2019, moving the business from a product-based business to a SaaS cloud-based business.

Significant changes in the state of affairs

On 30 April 2019, the Company issued 3,750,000 unlisted options convertible into 3,750,000 fully paid ordinary shares exercisable at $nil expiring on 30 April 2022. These unlisted options were issued to Directors of wholly-owned subsidiary,Whakaora Hou Limited, in accordance with their engagement terms.

As announced by the Group on 03 June 2019, the Group issued 5,000,000 shares to Mr Nick Fernando, Chief Executive Officer, as remuneration in accordance with Resolutions 4 of the Company's Notice of Annual General Meeting held on 24 May 2019, as approved by shareholders.

On 21 July 2019, the Company announced the mutually agreed termination of the two consulting agreements Company and its subsidiaries had with Mr Ross Smith and his company Weed Inc. Limited. All unvested performance rights for Mr Smith that were on issue at that time lapsed.

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

On 22 January 2020, the Group announced to the market the establishment of a joint venture between its subsidiary Jayex Technology Ltd and LYPHE Group, a European leader in medial cannabis solutions across distribution, clinics, dispensing and training.

Management acknowledges the COVID-19 outbreak subsequent to the year end. Management has not completed its assessment of the impact of COVID-19 outbreak on its operations. There is no impact of the outbreak on the 2019 Annual Report.

No other matter or circumstance has arisen since 31 December 2019 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.

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:	79,412,910 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

Name:	Agam Jain
Title:	Non-Executive Director (resigned on 6 December 2019)
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:	N/A

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 2019, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Committee	Audit & Risk Committee	Remuneration & Nomination Committee	Remuneration & Nomination Committee
	Attended	Held	Attended	Held	Attended	Held
Michael Boyd	7	9	-	-	-	-
Brian Renwick	9	9	3	3	-	-
Agam Jain*	9	9	3	3	-	-
Michael Chan	9	9	3	3	-	-

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

* Mr A Jain resigned as Non-Executive Director on 6 December 2019.

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

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 2019.

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) (resigned on 6 December 2019)
- Michael Chan (Non-Executive Director)

And the following persons:
- Nick Fernando (Chief Executive Officer)
- Nathan Woodard (Chief Financial Officer)

2019	Short-term benefits Cash salary and fees $	Cash bonus $	Cash allowance $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Shares issued $	Termination benefit $	Total $
Non-Executive Directors:								
Mr M Boyd (Chair)	60,000	-	-	-	-	-	-	60,000
Mr B Renwick	37,930	-	-	-	-	-	-	37,930
Mr M Chan	30,000	-	-	-	-	-	-	30,000
Mr A Jain*	50,580	-	-	-	-	-	-	50,580
Other Key Management Personnel:								
Mr N Fernando**	247,843	18,359	-	-	-	170,000	-	436,202
Mr. N Woodard	146,870	-	-	-	-	-	-	146,870
	573,223	18,359	-	-	-	170,000	-	761,582

* Mr A Jain resigned as the Non-Executive Director on 6 December 2019.

** (i) The bonus of 18,359 was paid the Chief Executive Officer, Mr. N Fernando, 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.

(ii) Share of $170,000 represents 5,000,000 fully paid ordinary shares issued by the company for no consideration to the Chief Executive Officer, Mr N Fernando, as remuneration. An amount of $170,000 was recognised as an expenses during the year for the shares issued.

2018	Short-term benefits Cash salary and fees $	Cash bonus $	Cash allowance $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled - options $	Termination benefit $	Total $
Non-Executive Directors:								
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
Other Key Management Personnel:								
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
	509,945	17,711	-	4,394	-	-	36,178	568,228

* 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.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2019	2018	2019	2018	2019	2018
Non-Executive Directors:						
Mr M Boyd	100%	100%	-	-	-	-
Mr B Renwick	100%	100%	-	-	-	-
Mr M Chan	100%	100%	-	-	-	-
Mr M Jain	100%	100%	-	-	-	-
Other Key Management Personnel:						
Mr N Fernando	57%	100%	43%	-	-	-
Mr. N Woodard	100%	100%	-	-	-	-
Mr T Panther	-	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.

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.
Details:	Base salary £80,000 per annum.

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

Share-based compensation

Issue of shares
As announced by the Group on 03 June 2019, the Group issued 5,000,000 shares to Mr Nick Fernando, Chief Executive Officer, as remuneration in accordance with Resolutions 4 of the Company's Notice of Annual General Meeting held on 24 May 2019, 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 2019.

Additional information

The earnings of the consolidated entity for the three years to 31 December 2019 are summarised below:

	2019 $'000	2018 $'000	2017 $'000
Sales revenue	7,185	6,749	7,503
EBITDA	121	(342)	(1,919)
EBIT	(663)	(885)	(2,437)
Loss after income tax	(960)	(1,125)	(2,496)

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

	2019	2018	2017
Share price at financial year end (cents)	3.0	1.9	1.6

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
Ordinary shares					
Mr M Boyd	78,798,079	-	614,831	-	79,412,910
Mr B Renwick	1,245,653	-	-	-	1,245,653
Mr A Jain*	23,312,061	-	-	(23,312,061)	-
Mr M Chan	1,705,025	-	-	-	1,705,025
Mr N Fernando**	-	5,000,000	-	-	5,000,000
	105,060,818	5,000,000	614,831	(23,312,061)	87,363,588

* The disposal represents shares held by Mr A Jain as at the date of resignation as the Non-Executive Director on 6 December 2019.

** This represents 5,000,000 shares issued by the Group to Mr N Fernando, Chief Executive Officer, as remuneration in accordance with Resolutions 4 of the Company's Notice of Annual General Meeting held on 24 May 2019, as approved by shareholders. An amount of $170,000 was recognised as an expenses during the year for the shares issued.

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.

	Consolidated 2019 $	Consolidated 2018 $
Other transactions:		
Loan interest paid or payable to Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	349,808	146,200
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)	87,286	132,832

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

	Consolidated 2019 $	Consolidated 2018 $
Current payables:		
Accrued loan interest payable to Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	140,384	126,679

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:

	Consolidated 2019 $	Consolidated 2018 $
Non-current borrowings:		
Loans from Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	3,655,000	3,055,000

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 2019 and 31 December 2018 - $2,000,000; interest rate - 8% per annum
Loan to Jayex Healthcare Limited: Balance at 31 December 2019 and 31 December 2018 - $1,000,000; interest rate - 12% per annum
Loan to P2U Pty Ltd: Balance at 31 December 2019 and 31 December 2018 - $55,000; loan is interest free.
Loan to Jayex Healthcare Limited: Balance at 31 December 2019 - $100,000 (31 December 2018: Nil); loan is interest free.
Loan to Whakaora Hou Limited: Balance at 31 December 2019 - $500,000 (31 December 2018: Nil); loan is interest free.

All loans are unsecured and are repayable on 1 April 2021.

This concludes the remuneration report, which has been audited.

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

Shares under options

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

Grant date	Expiry date	Exercise price	Number under options
13 July 2018	30 April 2022	$0.00	3,750,000

* On 30 April 2019, the Company issued 3,750,000 unlisted options convertible into 3,750,000 fully paid ordinary shares exercisable at $nil expiring on 30 April 2022. These unlisted options were issued to Directors of wholly-owned subsidiary,Whakaora Hou Limited, in accordance with their engagement terms.

No person entitled to exercise the options 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 2019 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 31 to the financial statements.

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 31 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 16.

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

24 March 2020
Melbourne

Collins Square, Tower 5
727 Collins Street
Melbourne Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 2019, 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, 24th March 2020

Jayex Healthcare Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 31 December 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue	5	7,185	6,749
Other income		8	125
Expenses			
Raw materials and consumables used		(1,699)	(1,249)
Employee benefits expense	6	(3,680)	(3,744)
Professional services expenses		(493)	(338)
Depreciation and amortisation expense	6	(784)	(543)
Consultancy expenses		(118)	(684)
Travel expenses		(158)	(158)
Marketing expenses		(130)	(242)
Net foreign exchange loss		12	(50)
Rental expense		(92)	(250)
Other expenses		(714)	(501)
Finance costs	6	(375)	(357)
Loss before income tax benefit		(1,038)	(1,242)
Income tax benefit	7	78	117
Loss after income tax benefit for the period attributable to the owners of Jayex Healthcare Limited		(960)	(1,125)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		373	13
Other comprehensive income for the period, net of tax		373	13
Total comprehensive income for the period attributable to the owners of Jayex Healthcare Limited		(587)	(1,112)
		Cents	**Cents**
Basic earnings per share	38	(0.6)	(0.7)
Diluted earnings per share	38	(0.6)	(0.7)

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 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	8	281	418
Trade and other receivables	9	2,239	1,499
Inventories	10	347	388
Other	11	57	57
Total current assets		2,924	2,362
Non-current assets			
Receivables	12	54	27
Property, plant and equipment	13	229	58
Right-of-use assets	14	236	-
Intangibles	15	10,092	9,176
Total non-current assets		10,611	9,261
Total assets		13,535	11,623
Liabilities			
Current liabilities			
Trade and other payables	16	1,992	1,336
Borrowings	17	797	-
Lease liabilities	18	155	-
Employee benefits	19	72	54
Provisions	20	291	252
Contract liabilities	21	1,788	1,534
Total current liabilities		5,095	3,176
Non-current liabilities			
Borrowings	22	3,539	3,054
Lease liabilities	23	90	-
Deferred tax	24	636	718
Employee benefits	25	14	-
Total non-current liabilities		4,279	3,772
Total liabilities		9,374	6,948
Net assets		4,161	4,675
Equity			
Issued capital	26	26,166	25,996
Reserves	27	(1,448)	(1,724)
Accumulated losses	28	(20,557)	(19,597)
Total equity		4,161	4,675

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 2019

Consolidated	**Issued capital $'000**	**Shared-based payment reserve $'000**	**Foreign exchange reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
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)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 26)	514	-	-	-	514
Share-based payments (note 39)	-	118	-	-	118
Exercise of options	62	(62)	-	-	-
Balance at 31 December 2018	25,996	118	(1,842)	(19,597)	4,675

Consolidated	**Issued capital $'000**	**Shared-based payment reserve $'000**	**Foreign exchange reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 January 2019	25,996	118	(1,842)	(19,597)	4,675
Loss after income tax benefit for the period	-	-	-	(960)	(960)
Other comprehensive income for the period, net of tax	-	-	373	-	373
Total comprehensive income for the period	-	-	373	(960)	(587)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 26)	170	-	-	-	170
Share based payments	-	204	-	-	204
Performance rights lapsed	-	(301)	-	-	(301)
Balance at 31 December 2019	26,166	21	(1,469)	(20,557)	4,161

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 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,103	7,832
Payments to suppliers and employees (inclusive of GST)		(7,693)	(8,506)
		410	(674)
Interest and other finance costs paid		(235)	(76)
Net cash from/(used in) operating activities	37	175	(750)
Cash flows from investing activities			
Payments for property, plant and equipment		(216)	-
Payments for intangibles	15	(1,256)	-
Proceeds from disposal of property, plant and equipment		7	-
Net cash used in investing activities		(1,465)	-
Cash flows from financing activities			
Proceeds from borrowings		1,281	170
Repayment of lease liabilities		(118)	-
Net cash from financing activities		1,163	170
Net decrease in cash and cash equivalents		(127)	(580)
Cash and cash equivalents at the beginning of the financial period		418	1,015
Effects of exchange rate changes on cash and cash equivalents		(10)	(17)
Cash and cash equivalents at the end of the financial period	8	281	418

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

Note 1. 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	Principal place of business
Level 4 100 Albert Road South Melbourne VIC 3205	17B Cribb Street Milton QLD 4064

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 March 2020. The directors have the power to amend and reissue the financial statements.

Note 2. 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.

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

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact on adoption
The consolidated entity has adopted AASB 16 using the modified retrospective approach whereby the consolidated entity has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 January 2019. Accordingly, the consolidated entity has not restated comparative balances in this set of financial statements.
On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%. The associated right-of-use assets for these leases were measured using modified retrospective approach, whereby the right-of use-asset is measured at an amount equal to the lease liability, adjusted by prepayments or accrued lease payments relating to that lease at the date of initial application. The incremental borrowing rate was applied as at each lease’s commencement date and the assets depreciated on a straight-line basis over the term of the lease. The provisions recognised in respect of onerous lease contracts were netted off against the associated right-of-use assets at the date of transition.

The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

Note 2. Significant accounting policies (continued)

	Consolidated '000
Operating lease commitments as at 1 January 2019 (AASB 117)	285
Operating lease excluded from capitalisation	(135)
Operating lease commitments discount based on the weighted average incremental borrowing rate of 8% (AASB 16)	(14)
Right-of-use assets (AASB 16)	136
Lease liabilities - current (AASB 16) on 1 January 2019	(43)
Lease liabilities - non-current (AASB 16) on 1 January 2019	(93)
Total lease liabilities on the date of transition on 1 January 2019	(136)
Impact on opening accumulated losses as at 1 January 2019	-

AASB Interpretation 23 Uncertainty over Income Tax Treatments
Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Company has adopted Interpretation 23 from 1 January 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the company operates, a local tax authority may seek to open a company's books as far back as inception of the company. Where it is probable, the company has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the company has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or the expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty). There has been no impact from the adoption of Interpretation 23 in this reporting period.
Other accounting pronouncements which have become effective from 1 January 2019 and have therefore been adopted have not had a significant impact on the Group's financial results or position.

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 2019.

Note 2. Significant accounting policies (continued)

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 2019 of the consolidated entity, as disclosed in the statement of financial position, is an apparent excess of current liabilities over current assets of $2,171,000 (2017: $814,000). However, the current liabilities as at 31 December 2019 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 2019, the adjusted working capital deficit is reduced to approximately $92,000 (2018: working capital surplus of $972,000).

The cash balance at 31 December 2019 was $281,000 (2018: $418,000).

The consolidated entity incurred a net loss after tax for the financial year ended 31 December 2019 of $960,000 (financial year ended 31 December 2018: $1,125,000) and had net cash inflows from operating activities of $175,000 (financial year ended 31 December 2018: net cash outflow $750,000).

Management acknowledges the COVID-19 outbreak subsequent to the year end. Management has not completed its assessment of the impact of COVID-19 outbreak on its operations. There is no impact of the outbreak on the 2019 Annual Report.

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;
- the consolidated entity has continued financing support from related parties; and
- as the Company is an ASX-listed entity, the consolidated entity has the ability to raise additional funds if required.

Should the consolidated entity not achieve the matters set out above, there would then be material uncertainty over the ability of the consolidated entity to continue as a going concern, and, therefore, it may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the 2019 annual financial report.

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.

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 3.

Note 2. Significant accounting policies (continued)

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 35.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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

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

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 2. Significant accounting policies (continued)

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.

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.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7 years.

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.

Note 2. Significant accounting policies (continued)

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.

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).

Note 2. Significant accounting policies (continued)

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.

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 use an 'expected credit loss' ('ECL') model to recognise an allowance for expected credit losses. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

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.

Note 2. Significant accounting policies (continued)

The accounting policy on lease liabilities is as below:

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

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

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.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Share-based payments
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.

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) Barren 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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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

Note 3. 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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets (note 13 and note 15)
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 15)
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 2. 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 15)
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.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 4. 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.

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

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2019	Australia $'000	United Kingdom $'000	Total $'000
Revenue			
Sales to external customers	865	6,320	7,185
Total revenue	865	6,320	7,185
Other income		8	
Segment operating expenses	(1,579)	(5,422)	(6,993)
EBITDA	(714)	906	192
Interest expense			(375)
Depreciation & amortisation expense			(783)
Share based payment expense			(72)
Profit/(loss) before income tax expense			(1,038)
			-
Current assets	956	1,968	2,924
Non-current assets	1,718	8,893	10,611
Total assets	2,674	10,861	13,535
Current liabilities	1,905	3,190	5,095
Non-current liabilities	3,587	692	4,279
Total liabilities	5,492	3,882	9,374

Consolidated - 2018	Australia $'000	United Kingdom $'000	Total $'000
Revenue			
Sales to external customers	972	5,777	6,749
Total revenue	972	5,777	6,749
Other income	125	-	125
Segment operating expenses	(1,961)	(4,797)	(6,758)
EBITDA	(864)	980	116
Interest expense			(357)
Depreciation & amortisation expense			(543)
Share based payment expense			(458)
Profit/(loss) before income tax expense			(1,242)
			-
Current assets	505	1,857	2,362
Non-current assets	320	8,941	9,261
Total assets	825	10,798	11,623
Current liabilities	653	2,523	3,176
Non-current liabilities	3,055	717	3,772
Total liabilities	3,708	3,240	6,948

Note 5. Revenue

	Consolidated 2019 $'000	Consolidated 2018 $'000
Sales revenue	7,185	6,749

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

For 2019, revenue includes $1,312,000 (2018: $1,270,000) 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 2019 $'000	Consolidated 2018 $'000
Major product lines		
Supply and installation of Kiosks (at a point of time)	4,013	3,387
Software licences and support services (over time)	2,252	2,373
Extended warranty and software support (over time)	615	669
Software development customisation services (over time)	66	89
Software development supports services (over time)	239	231
	7,185	6,749

Note 6. Expenses

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	35	26
Buildings right-of-use assets	127	-
Total depreciation	162	26
Amortisation		
Software	306	213
Customer relationships	316	304
Total amortisation	622	517
Total depreciation and amortisation	784	543
Finance costs		
Interest and finance charges paid/payable on borrowings	375	357
Leases		
Minimum lease payments	92	250
Superannuation expense		
Defined contribution superannuation expense	48	48
Employee benefits expense excluding superannuation and share based payments		
Employee benefits expense excluding superannuation and share based payments	3,680	3,696
Share-based payments expense		
Share-based payments expense	374	458
Lapse of performance rights	(301)	-
Total Share-based payments expense	73	458

Note 7. Income tax benefit

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax benefit		
Current tax	40	28
Deferred tax - origination and reversal of temporary differences	(118)	(145)
Aggregate income tax benefit	(78)	(117)
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 24)	(118)	(145)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(1,038)	(1,242)
Tax at the statutory tax rate of 27.5%	(285)	(342)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	20	126
Non-assessable R&D tax incentive receivable	(82)	(156)
Difference in overseas tax rates	(81)	(87)
Sundry items	30	13
	(398)	(446)
Current period tax losses not recognised	395	493
Prior period tax losses not recognised now recouped	(22)	(14)
Current period temporary differences not recognised	(53)	(150)
Income tax benefit	(78)	(117)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Amounts charged directly to equity		
Deferred tax liabilities (note 24)	36	36
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	14,718	13,360
Potential tax benefit @ 27.5%	4,047	3,674

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 8. Cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash at bank	281	418

Note 9. Trade and other receivables

	Consolidated 2019 $'000	2018 $'000
Trade receivables	2,185	1,457
Less: Allowance for expected credit losses	(30)	-
	2,155	1,457
Other receivables	22	18
GST receivable	62	24
	2,239	1,499

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 2019 as the main clients of the Consolidated entity are hospitals which have not demonstrated any difficulties in making payment.

Note 10. Inventories

	Consolidated 2019 $'000	2018 $'000
Stock on hand - at cost	347	388

Note 11. Other

	Consolidated 2019 $'000	2018 $'000
Prepayments	57	57

Note 12. Receivables

	Consolidated 2019 $'000	2018 $'000
Other receivables	54	27

Note 13. Property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Leasehold improvements - at cost	139	-
Plant and equipment - at cost	29	-
Motor vehicles - at cost	54	71
Less: Accumulated depreciation	(47)	(59)
	7	12
Office equipment - at cost	261	252
Less: Accumulated depreciation	(240)	(222)
	21	30
Furniture and fittings - at cost	94	70
Less: Accumulated depreciation	(61)	(54)
	33	16
	229	58

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

Consolidated	Furniture & fittings $'000	Office equipment $'000	Computer equipment $'000	Motor vehicle $'000	Plant & equipment $'000	Leasehold improvement $'000	Total $'000
Balance at 1 January 2018	22	37	1	23	-	-	83
Exchange differences	(1)	3	-	(1)	-	-	1
Depreciation expense	(6)	(10)	-	(10)	-	-	(26)
Balance at 31 December 2018	15	30	1	12	-	-	58
Additions	25	9	-	-	29	139	202
Exchange differences	-	4	(1)	1	-	-	4
Depreciation expense	(7)	(22)	-	(6)	-	-	(35)
Balance at 31 December 2019	33	21	-	7	29	139	229

Note 14. Right-of-use assets

	Consolidated 2019 $'000	Consolidated 2018 $'000
Land and buildings - right-of-use	363	-
Less: Accumulated depreciation	(127)	-
	236	-

Note 15. Intangibles

	Consolidated 2019 $'000	Consolidated 2018 $'000
Goodwill - at cost	10,145	9,944
Less: Impairment	(4,085)	(4,085)
	6,060	5,859
Development - at cost	852	-
Patents and trademarks - at cost	586	586
Software platform - at cost	1,698	1,255
Less: Accumulated amortisation - Software	(1,018)	(685)
	680	570
Customer relationships - at cost	3,361	3,254
Less: Accumulated amortisation - Customer relationships	(1,447)	(1,093)
	1,914	2,161
	10,092	9,176

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

Consolidated	Goodwill $'000	Patents & trademarks $'000	Software platform $'000	Customer relationships $'000	Development cost $'000	Total $'000
Balance at 1 January 2018	5,591	586	757	2,359	-	9,293
Exchange differences	268	-	27	106	-	401
Amortisation expense	-	-	(214)	(304)	-	(518)
Balance at 31 December 2018	5,859	586	570	2,161	-	9,176
Additions	-	-	404	-	852	1,256
Exchange differences	201	-	39	107	-	347
Amortisation expense	-	-	(333)	(354)	-	(687)
Balance at 31 December 2019	6,060	586	680	1,914	852	10,092

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.

Note 15. Intangibles (continued)

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:

	Consolidated	
	2019 $'000	2018 $'000
Jayex Technology Limited (United Kingdom)	6,060	5,859

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 2019 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 0.5340
- Period over which cash flows projected - 5 years
- Management has made numerous assumptions about the budgeted revenue to be achieved in 2020, and this has resulted in a revenue growth rate of 5.25% compared to the actual revenues in 2019, 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 5.25% per annum, based on past trends
- Expenses increase at average rates of 3.2% 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.

Note 15. Intangibles (continued)

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 2019, therefore no adjustment to its carrying value was required.

Note 16. Trade and other payables

	Consolidated	
	2019 $'000	2018 $'000
Trade payables	383	432
Accrued expenses	907	515
GST payable	170	181
Other payables	532	208
	1,992	1,336

Refer to note 29 for further information on financial instruments.

Note 17. Borrowings

	Consolidated	
	2019 $'000	2018 $'000
Other loans	797	-

Refer to note 29 for further information on financial instruments.

Note 18. Lease liabilities

	Consolidated	
	2019 $'000	2018 $'000
Lease liability	155	-

Refer to note 29 for further information on financial instruments.

Note 19. Employee benefits

	Consolidated	
	2019 $'000	2018 $'000
Annual leave	72	54

Note 20. Provisions

	Consolidated 2019 $'000	Consolidated 2018 $'000
Provision for warranties	266	238
Provision for credit notes	25	14
	291	252

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.

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

Consolidated - 2019	Warranties $'000	Credit notes $'000
Carrying amount at the start of the period	238	14
Additional provisions recognised	28	11
Carrying amount at the end of the period	266	25

Note 21. Contract liabilities

Other liabilities consist of the following:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Contract liabilities - Deferred service income	1,788	1,534

Contract liabilities represents sales invoiced in advance for the provision of contracted services.

Note 22. Borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Borrowings - non-current	3,539	3,054

Refer to note 29 for further information on financial instruments.

These loans have been advanced to the consolidated entity by a related party. Refer note 33 for further information.

Note 23. Lease liabilities

	Consolidated	
	2019	2018
	$'000	$'000
Lease liability	90	-

Refer to note 29 for further information on financial instruments.

Note 24. Deferred tax

	Consolidated	
	2019	2018
	$'000	$'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Intangible assets arising from business combinations	523	658
Property, plant and equipment	11	6
Development costs	102	54
Deferred tax liability	636	718
Movements:		
Opening balance	718	827
Credited to profit or loss (note 7)	(118)	(145)
Charged to equity (note 7)	36	36
Closing balance	636	718

Note 25. Employee benefits

	Consolidated	
	2019	2018
	$'000	$'000
Long service leave	14	-

Note 26. Issued capital

	Consolidated			
	2019	2018	2019	2018
	Shares	Shares	$'000	$'000
Ordinary shares - fully paid	172,613,024	167,613,024	26,166	25,996

Note 26. Issued capital (continued)

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$'000
Balance	1 January 2018	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	167,613,024		25,996
Shares issued to Directors	03 June 2019	5,000,000	$0.03	170
Balance	31 December 2019	172,613,024		26,166

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.

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 27. Reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Foreign currency reserve	(1,469)	(1,842)
Share-based payments reserve	21	118
	(1,448)	(1,724)

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.

Note 27. Reserves (continued)

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:

Consolidated	Foreign currency reserve $'000	Share-based payments reserve $'000	Total $'000
Balance at 1 January 2018	(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	(1,842)	118	(1,724)
Foreign currency translation	373	-	373
Performance rights issued	-	204	204
Performance rights lapsed	-	(301)	(301)
Balance at 31 December 2019	(1,469)	21	(1,448)

Note 28. Accumulated losses

	Consolidated 2019 $'000	2018 $'000
Accumulated losses at the beginning of the financial period	(19,597)	(18,472)
Loss after income tax benefit for the period	(960)	(1,125)
Accumulated losses at the end of the financial period	(20,557)	(19,597)

Note 29. 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

Note 29. Financial instruments (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Financial assets		
Cash at bank	218	418
Trade and other receivables - current	2,269	1,457
Receivables - non-current	54	27
	2,541	1,902
Financial liabilities		
Trade and other payables	1,992	1,336
Lease liabilities- current	155	-
Borrowings - current	797	-
Borrowings - non-current	3,539	3,054
Lease liabilities- non-current	90	-
	6,573	4,390

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 88% of its revenue and 71% its operating costs, and has 36% of its assets and 61% 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.

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

	Average exchange rate 2019	Average exchange rates 2018	Reporting date exchange rate 2019	Acquisition date exchange rate 2018
Australian dollars				
Pound sterling (GBP)	0.5447	0.5646	0.5340	0.5523

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.

Note 29. Financial instruments (continued)

As at reporting date the consolidated entity has cash at bank of $281,000 and borrowings of $4,336,000. 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.

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.

Note 29. Financial instruments (continued)

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.

Consolidated - 2019	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
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	383	-	-	-	383
Accruals	-	946	-	-	-	946
Borrowings - current	-	797	-	-	-	797
Borrowings - non-current	-	-	539	-	-	539
lease liabilities	-	155	90	-	-	245
Interest-bearing - fixed rate						
Borrowings - non-current	8.00%	163	2,000	-	-	2,163
Borrowings - non-current	12.00%	103	1,000	-	-	1,103
Total non-derivatives		2,547	3,629	-	-	6,176

Consolidated - 2018	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
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	432	-	-	-	432
Accruals	-	511	-	-	-	511
Borrowings - non-current	-	-	55	-	-	55
Interest-bearing - fixed rate						
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

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.

Note 30. 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:

	Consolidated 2019 $	Consolidated 2018 $
Short-term employee benefits	761,582	527,656
Post-employment benefits	-	40,572
	761,582	568,228

Note 31. 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:

	Consolidated 2019 $	Consolidated 2018 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	120,800	84,500
Other services - Grant Thornton Audit Pty Ltd		
Preparation of the tax return	5,500	8,000
International Dealings Schedule	-	2,500
	5,500	10,500
	126,300	95,000
Audit services - network firms		
Audit or review of the financial statements	70,680	46,066

Note 32. Commitments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	149
One to five years	-	136
	-	285

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. With the adoption of AASB 16-Leases from 1 January 2019, these operating leases have been recognised as lease liabilities in the statement of financial position as at 31 December 2019

Note 33. Related party transactions

Parent entity
Jayex Healthcare Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 35.

Key management personnel
Disclosures relating to key management personnel are set out in note 30 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.

	Consolidated	
	2019 **$**	**2018** **$**
Other transactions:		
Loan interest paid or payable to Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	349,808	146,200
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)	87,286	132,832

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

	Consolidated	
	2019 **$**	**2018** **$**
Current payables:		
Accrued loan interest payable to Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	140,384	126,679

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:

	Consolidated	
	2019 **$**	**2018** **$**
Non-current borrowings:		
Loans from Covenant Holdings (WA) Pty Ltd (an entity related to director Michael Boyd)	3,655,000	3,055,000

Note 33. 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 2019 and 31 December 2018 - $2,000,000; interest rate - 8% per annum
Loan to Jayex Healthcare Limited: Balance at 31 December 2019 and 31 December 2018 - $1,000,000; interest rate - 12% per annum
Loan to P2U Pty Ltd: Balance at 31 December 2019 and 31 December 2018 - $55,000; loan is interest free.
Loan to Jayex Healthcare Limited: Balance at 31 December 2019 - $100,000 (31 December 2018: Nil); loan is interest free.
Loan to Whakaora Hou Limited: Balance at 31 December 2019 - $500,000 (31 December 2018: Nil); loan is interest free.

All loans are unsecured and are repayable on 1 April 2021.

Note 34. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019 $'000	2018 $'000
Loss after income tax	(953)	(1,587)
Total comprehensive income	(953)	(1,587)

Statement of financial position

	Parent	
	2019 $'000	2018 $'000
Total current assets	432	30
Total assets	8,712	9,063
Total current liabilities	688	299
Total liabilities	3,955	3,426
Equity		
Issued capital	26,166	25,996
Share-based payments reserve	21	118
Accumulated losses	(21,430)	(20,477)
Total equity	4,757	5,637

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 2019 or 31 December 2018.

Contingent liabilities
With the exception of any matter referred to note 40 Contingent liabilities, the parent entity had no contingent liabilities as at 31 December 2019 or 31 December 2018.

Note 34. 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 2019 or 31 December 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, 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 35. 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 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
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%	100.00%

Note 36. Events after the reporting period

On 22 January 2020, the Group announced to the market the establishment of a joint venture between its subsidiary Jayex Technology Ltd and LYPHE Group, a European leader in medial cannabis solutions across distribution, clinics, dispensing and training.

Management acknowledges the COVID-19 outbreak subsequent to the year end. Management has not completed its assessment of the impact of COVID-19 outbreak on its operations. There is no impact of the outbreak on the 2019 Annual Report.

No other matter or circumstance has arisen since 31 December 2019 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.

Note 37. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Loss after income tax benefit for the period	(960)	(1,125)
Adjustments for:		
Depreciation and amortisation	784	543
Net loss on disposal of property, plant and equipment	13	-
Share-based payments	72	458
Non-cash interest expense	140	280
Change in operating assets and liabilities:		
Increase in trade and other receivables	(705)	(228)
Decrease/(increase) in inventories	41	(74)
Decrease in prepayments	1	38
(Increase)/Decrease in Other receivables - non-current	(27)	23
Increase/(decrease) in trade and other payables	596	(390)
Decrease in deferred tax liabilities	(92)	(115)
Increase/(decrease) in employee benefits	6	(43)
Increase/(decrease) in other provisions	52	(51)
Increase/(decrease) in deferred revenue	254	(66)
Net cash from/(used in) operating activities	175	(750)

Note 38. Earnings per share

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Loss after income tax attributable to the owners of Jayex Healthcare Limited	(960)	(1,125)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	170,517,134	168,234,988
Weighted average number of ordinary shares used in calculating diluted earnings per share	170,517,134	168,234,988
	Cents	**Cents**
Basic earnings per share	(0.6)	(0.7)
Diluted earnings per share	(0.6)	(0.7)

Number of contingent shares not included in the diluted earnings per share calculation as they are anti-dilutive: 10,869,863 (2018:115,068).

Note 39. Share-based payments

(a) Share-based compensation

As announced by the Group on 03 June 2019, the Group issued 5,000,000 shares to Mr Nick Fernando, Chief Executive Officer, as remuneration in accordance with Resolutions 4 of the Company's Notice of Annual General Meeting held on 24 May 2019, as approved by shareholders. An amount of $170,000 was recognised as an expenses during the year for the shares issued.

Note 39. Share-based payments (continued)

(b) 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:

On 30 April 2019, the Company issued 3,750,000 unlisted options convertible into 3,750,000 fully paid ordinary shares exercisable at $nil expiring on 30 April 2022. These unlisted options were issued to Directors of wholly-owned subsidiary, Whakaora Hou Limited, in accordance with their engagement terms.

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
30/04/2019	30/04/2022	$0.00	-	3,750,000	-	-	3,750,000
			-	3,750,000	-	-	3,750,000

The fair value of the options was determined as of $92,625 using the Black Scholes option pricing model using the following inputs:

Weighted average share price at date of grant ($)	0.04
Weighted average volatility %	100
Weighted average risk-free rate %	1.28
Days to expiry	1,095
Vesting hurdle (10-day consecutive) $	0.12
Fair value of options $	92,625

(c) Performance Rights

The company issue performance rights to third parties as consideration for services. Set out below are the rights granted to third parties as consideration for services:

Grant date	Expiry date	2019 Number	2018 Number
13/07/2018	21/07/2021	-	15,000,000
		-	15,000,000

The weighted average share price during the financial period was $nil (2018: $0.024).

The Consolidated entity on 6 July 2018 signed a legally binding term sheet by which it 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 39. Share-based payments (continued)

Under the binding term sheet and the formal consulting agreement, Mr Smith was 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 were 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:

2019 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	-

* The Rights did not have an expiry date attached to them, however the valuation report noted that they could be terminated subject to the relevant termination event clauses in the holder's consulting agreement. As announced on 22 July 2019, Jayex Healthcare Limited mutually agreed termination on 21 July 2019 of the two consulting agreements JHL and its subsidiaries with Ross Smith and his company Weed Inc. Limited. This resulted in the lapse of the 15 million rights granted to Mr Ross Smith.

** The Rights did not have an exercise price.

Note 40. Contingent liabilities

The group had no material contingent liabilities as at the date of this report.

Jayex Healthcare Limited
Directors' declaration
31 December 2019

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 2 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 2019 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

24 March 2020
Melbourne

Collins Square, Tower 5
727 Collins Street
Melbourne Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 2019, 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 2019 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 $960,000 during the year ended 31 December 2019, and as of that date, the Group's current liabilities exceeded its current assets by $2,171,000. The note also acknowledges the continued uncertainty surrounding the COVID-19 coronavirus outbreak and its impact on the healthcare industry. 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 asset – Impairment (Note 14)	
At 31 December 2019, the Group has goodwill and other intangible assets amounting to $10,374,000 relating to the Jayex Technology Limited cash generating unit. The Group is required to consider triggers for impairment in accordance with AASB 136 Impairment of Assets. The assessment of impairment of the Group's goodwill and other intangible assets incorporated significant judgement in assumptions included, such as discount rates, future cash inflows and outflows and changes to working capital. This is a key audit matter due to the Group's use of a value-in-use model for impairment and the subjectivity relating to assumptions and key inputs.	Our procedures included, amongst others: • Assessing management's determination of the Group's Cash Generating Unit (CGUs) based on our understanding of the Group's business and the economic environment in which the Group operates; • Evaluating management's process for the preparation and review of value-in-use model, taking into consideration the impacts of the sector specific challenges that the Group faces; • Utilising our internal valuations specialists to review the appropriateness of the value-in-use model, appropriateness of benchmarks to external data and its compliance with the requirements of AASB 136; • Challenging the management's assumptions and estimates used in the value-in-use model to determine the recoverable value of its assets, including those relating to forecast revenue, expenses, and discount rates; • Assessing of the mathematical accuracy of cash flow models prepared and agreeing of relevant data to the latest forecasts; • Assessing the historical accuracy of forecasting of the Group; • Performing sensitivity analyses over key assumptions and inputs driving the value-in-use model; and • Assessing the adequacy of the Group's disclosures within the financial statements.

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 2019, 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.

Grant Thornton

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. 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 2019.

In our opinion, the Remuneration Report of Jayex Healthcare Limited, for the year ended 31 December 2019 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Simon Trivett

S C Trivett
Partner – Audit & Assurance

Melbourne, 24th March 2020

Jayex Healthcare Limited
Shareholder information
31 December 2019

The shareholder information set out below was applicable as at 18 March 2020.

Corporate governance

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

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 Share Options	Number of holders of ordinary shares
1 to 1,000	-	16
1,001 to 5,000	-	37
5,001 to 10,000	-	96
10,001 to 100,000	-	160
100,001 and over	-	103
	-	412
Holding less than a marketable parcel	-	235

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
COVENANT HOLDINGS(WA)PTY LTD (BOYD#4 A/C)	77,912,910	44.18%
VECTOR LONDON LTD	19,003,378	10.78%
MR JOHN CLIVE ALLINSON	6,580,530	3.73%
MR NICHOLAS FERNANDO	5,000,000	2.84%
MR DEAN HENRY CLEARY (THE CLEARWAY INVESTMENT A/C)	4,140,000	2.35%
MR AGAM JAIN	3,337,927	1.89%
DONOVAN PRODUCTS PTY LTD (FAMILY ACCOUNT)	2,746,916	1.56%
MR MUN KEE CHANG	2,651,433	1.50%
MR ROBERT JOHN MANTEL & MRS FIONA MANTEL (R & F MANTEL SUPER FUND A/C)	2,250,000	1.28%
CITICORP NOMINEES PTY LIMITED	2,218,124	1.26%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,801,365	1.02%
AMG CORPORATE PTY LTD (THE AMG SUPER FUND A/C)	1,705,025	0.97%
MR DENNIS CRAIG TELFORD	1,700,000	0.96%
MR PETER HOWELLS	1,558,243	0.88%
MS MANDY JEAN RUTHERFORD	1,408,000	0.80%
DR CHOON-JOO KHO	1,307,000	0.74%
MISS OLGA OSIPOVA	1,297,946	0.74%
A & D HOLDINGS 2 PTY LTD (A & D HILL SUPERFUND A/C)	1,262,587	0.72%
DENNIS JOSEPH MCMAHON	1,250,000	0.71%
FRANZ ANTON STRYDOM	1,250,000	0.71%
WAYNE EDWARD BEILBY	1,250,000	0.71%
MR BRIAN PATRICK RENWICK	1,227,840	0.70%
	142,859,224	81.00%

Jayex Healthcare Limited
Shareholder information
31 December 2019

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
Covenant Holdings (WA) Pty Ltd (The Boyd No 3 A/c)/ Covenant Holdings (WA) Pty Ltd (Boyd#4 A/c)	79,412,910	45.03%
Vector London Ltd	19,003,378	10.78%

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.

Corporate Governance Statement

The Company's 2019 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at: https://www.jayex.com/en-au/investor/corporate-governance/