

Austco Healthcare Limited

Appendix 4D - Interim Financial Report

Results for Announcement to the Market

Current Reporting Period – Half Year Ended 31 December 2023

Previous Reporting Period – Half Year Ended 31 December 2022

| | Change Up/(down) | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
|--|---------------------|----------------------------|------------------------------------|
| Revenue from activities | 11.2% | 22,843 | 20,542 |
| Other Income: | | | |
| Foreign Exchange Gain/(Loss) | | 2 | 39 |
| Interest income | | 18 | 15 |
| Revenue excluding interest income | 10.9% | 22,845 | 20,581 |
| Earnings before interest expense, tax, depreciation and amortisation (EBITDA) | (18.1%) | 2,066 | 2,522 |
| Depreciation and amortisation expenses | | (1,011) | (834) |
| Earnings before interest and tax (EBIT) | (37.5%) | 1,055 | 1,688 |
| Net Interest expense | | (7) | (9) |
| Profit before income tax expense | (37.6%) | 1,048 | 1,679 |
| Income tax expense | | 124 | (300) |
| Net Profit after tax for the period attributable to members of Austco Healthcare Limited | (15.0%) | 1,172 | 1,379 |
| | | | |
| Net Tangible Asset per Security (cents per security) | | 5.03 | 6.06 |
| Earnings/(losses) per share attributable to the ordinary equity holders of the company (cents per security): | | | |
| Basic Earnings per Share | | 0.402 | 0.478 |
| Diluted Earnings per Share | | 0.393 | 0.478 |
| Record date for determining entitlements to the dividend | | | Not Applicable |
| Dividends (distribution) | | Amount per Security | Franked Amount per Security |
| Interim dividend | | n/a | n/a |
| Previous corresponding period | | 0.175 cents | 0.175 cents |
| Explanation of the above information: | | | |
| Please refer to the Directors' Report - Review of Operations for further information on the Company operations over the past 6 months. | | | |



Appendix 4D
Interim Financial Report

For the Half Year Ended 31 December 2023
(previous corresponding period: Half Year Ended 31 December 2022)

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Directors' Report

Your Directors present their report on the consolidated entity consisting of Austco Healthcare Limited (**Austco**) and the entities it controlled at the end of, or during, the half year ended 31 December 2023.

Directors

The following persons were Directors of Austco Healthcare Limited during the half year and up to the date of this report:

| | |
|----------------------|---|
| Mr. Graeme Billings | Non-Executive Chairman |
| Mr. Clayton Astles | Chief Executive Officer & Managing Director |
| Mr. Brett Burns | Non-Executive Director |
| Mr. Anthony Glenning | Non-Executive Director |

Principal Activities

The Company's principal activities during the half year were the manufacture, supply, and service of healthcare and electronic communications equipment.

Auditors independence

The Auditor's independence declaration can be found on page 16 of this report.

Financial and operational performance

Revenue from ordinary activities (customers) increased by 11.2% to \$22.843 million compared to the prior corresponding period which included slightly more than one month's revenues from newly acquired Teknocorp. We expect revenue to continue to grow given we continue to grow our Open Sales Order book, which currently stands at \$44.4m.

Software and Software Maintenance Agreements (**SMA**) revenues increased 11% to \$3.982 million over the prior corresponding period and represented 17.4% of total revenue from clients.

Gross profit margins from operations (excluding Other Income) decreased from 54.8% to 51.9% compared to the prior corresponding period. The reduction was driven by:

- Consumption of higher cost raw materials procured during COVID to maintain product delivery certainty, the balance of which is expected to be consumed in 2HFY24;
- Higher revenue contribution from two lower margin markets (Latin America and Asia); and
- Contribution from lower margin Teknocorp projects. The strategic initiatives of this acquisition will assist, over the medium term, in increasing the margin and revenue contribution of this business.

Overhead expenses increased from \$9.627 million to \$10.819 million over the prior corresponding period. The increase includes a combination of M&A transaction costs, additional amortisation arising from our continued investment in R&D, additional R&D incurred and expensed directly to the profit and loss, and recruitment costs as we continue to invest in talent and infrastructure to support the Company's growth initiatives. Our Overhead expenses in 2HFY23 were \$11.027 million.

Net profit after tax (NPAT) decreased from \$1.379 million to \$1.172 million as compared to the previous corresponding period, reflecting our strategic investment in talent, R&D and market share initiatives.

Net tangible assets have decreased to 5.02 cents per share.

Cash at 31 December 2023 was \$5.0 million, slightly higher than the June 2023 balance of \$4.7 million. Funding the newly acquired Teknocorp business has given rise to a new debt facility, which at 31 December 2023 had an amount owing of \$1.544 million.

The Company has maintained high levels of inventory, currently at \$11.246 million, an increase of \$0.417 million since June 2023. The increase arises from inventory acquired from the Teknocorp acquisition, but still also includes inventories manufactured for our high Open Sales Orders, where delivery (and revenue recognition) has not yet occurred.

Cashflow from operating activities was positive \$1.869 million for the 6 months ended 31 December 2023, which was pleasing given our continued and strategic high levels of inventory held. Cash used in investing activities was \$2.746 million, of which \$0.886 million related to investing in R&D to continue to build out new features from our road map and \$1.567 was the net cash used to acquire the businesses of Teknocorp and Victorian Monitoring Services during the period.

Interim Dividend for December 2023: The directors have resolved not to declare any dividends for the period ended 31 December 2023.

Directors' Report

Acquisition of Teknocrp and Victorian Monitoring Services

On 27 November 2023, the Group acquired the businesses of Teknocrp and Victorian Monitoring Systems (VMS) by way of an asset sale. Teknocrp and VMS are a security and healthcare solutions provider and have been a certified Austco Nurse Call reseller for more than 20 years. Teknocrp specialises in providing integrated nurse call, security, access control and complementary systems to small and medium-scale enterprises in public and private sectors. The acquisition increases Austco's direct sales capability, provides growth opportunities and enhances its range of solutions to better meet the needs of the Australian healthcare market.

Research & Development Expenditure

The Group invested \$2.288 million in research and development for the 6 months ended 31 December 2023 (of which \$0.886 million was capitalised) compared to \$1.779 million for the previous corresponding period (of which \$0.870 million was capitalised).

The Company's continued investment in research and development and the product releases that have been brought to market as a result are a significant part of the reasons for the growth in our Open Sales Order book, which now sits at \$44.4m.

Overall, the Company's increased investment in research and development in the first half of FY23 reflects its commitment to improve its product suite to better meet the needs of its customers.

Rounding of amounts

The Group falls within ASIC Legislative Instrument 2016/191, and in accordance with the class order amounts in the Directors' Report and Interim Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

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



Clayton Astles
Chief Executive Officer Melbourne
Dated 26 February 2024

**Interim Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For the Half Year Ended 31 December 2023**

Consolidated Entity

| | Note | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
|--|------|-------------------------------|-------------------------------|
| Revenue | 2 | 22,843 | 20,542 |
| Materials and direct labour | | (10,996) | (9,290) |
| Gross Profit | | 11,847 | 11,252 |
| Other Income | 3 | 20 | 54 |
| Employee Benefits Expense | | (6,477) | (6,532) |
| Motor Vehicle Expenses | | (43) | (15) |
| Occupancy Expenses | | (287) | (140) |
| Depreciation and Amortisation Expenses | | (1,011) | (834) |
| Accounting, Audit, IT, Legal and Recruitment Fees | | (920) | (371) |
| Allowance for expected credit (loss), reversal of loss | | (24) | 90 |
| Finance Costs | | (25) | (24) |
| Travel Expenses | | (886) | (690) |
| Software subscriptions | | (244) | (182) |
| Insurance | | (209) | (204) |
| Other Expenses | | (693) | (725) |
| Total Overhead Expenses | | (10,819) | (9,627) |
| Profit Before Income Tax | | 1,048 | 1,679 |
| Income Tax benefit / (expense) | | 124 | (300) |
| Net Profit after income tax | | 1,172 | 1,379 |
| Net Profit attributable to members of Austco Healthcare Limited | | 1,172 | 1,379 |
| Other Comprehensive Income | | | |
| <i>Items that may be reclassified subsequently to Profit or Loss</i> | | | |
| Exchange difference arising on translation of foreign operations | | (544) | (215) |
| Total Comprehensive Income for the Year | | 628 | 1,164 |
| | | Cents | Cents |
| Earnings per Share: | | | |
| Basic earnings per share | | 0.403 | 0.478 |
| Diluted earnings per share | | 0.392 | 0.478 |

Interim Consolidated Statement of Financial Position

as at 31 December 2023

| | Note | Consolidated Entity | |
|--------------------------------------|------|---------------------|---------------|
| | | 31 December 2023 | 30 June 2023 |
| | | \$'000 | \$'000 |
| Current Assets | | | |
| Cash and cash Equivalents | | 4,973 | 4,673 |
| Trade and other Receivables | | 11,750 | 12,219 |
| Inventories | | 11,246 | 10,829 |
| Other assets | | 2,851 | 2,065 |
| Total Current Assets | | 30,820 | 29,786 |
| Non-Current Assets | | | |
| Plant and equipment | | 664 | 482 |
| Right-of-use assets | | 534 | 366 |
| Deferred tax assets | | 2,058 | 1,721 |
| Intangible assets | 6 | 9,026 | 5,455 |
| Total Non-Current Assets | | 12,282 | 8,024 |
| Total Assets | | 43,102 | 37,810 |
| Current Liabilities | | | |
| Trade and other payables | | 9,886 | 8,972 |
| Contract liabilities | | 2,125 | 2,300 |
| Borrowings | | 374 | 24 |
| Current tax liabilities | | 352 | 61 |
| Lease liabilities | | 438 | 377 |
| Provisions | | 1,050 | 902 |
| Total Current Liabilities | | 14,225 | 12,636 |
| Non-Current Liabilities | | | |
| Borrowings | | 1,211 | - |
| Contingent consideration | 9 | 967 | - |
| Lease liabilities | | 144 | 123 |
| Provisions | | 82 | 52 |
| Total Non-Current Liabilities | | 2,404 | 175 |
| Total Liabilities | | 16,629 | 12,811 |
| Net Assets | | 26,473 | 24,999 |
| Equity | | | |
| Contributed equity | 10 | 42,964 | 42,189 |
| Option reserves | | 366 | 295 |
| Foreign exchange reserve | | (171) | 373 |
| Accumulated losses | | (16,686) | (17,858) |
| Total Equity | | 26,473 | 24,999 |

Interim Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2023

| | Consolidated Entity | | | | |
|---|---------------------|-----------------------|--------------------------------|-------------------|-----------------|
| | Issued Capital | Accumulated Losses | Foreign Exchange Reserve | Option Reserve | Total Equity |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2022 | 41,720 | (18,901) | (23) | 296 | 23,092 |
| Profit after income tax expense for the period | - | 1,379 | - | - | 1,379 |
| Other comprehensive income for the period, net of tax | - | - | (215) | - | (215) |
| Total comprehensive income for the period | - | 1,379 | (215) | - | 1,164 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Dividend reinvestment plan issues (note 10) | 355 | - | - | - | 355 |
| Dividends paid | - | (861) | - | - | (861) |
| Share Based Payment | - | - | - | 77 | 77 |
| Balance at 31 December 2022 | 42,075 | (18,383) | (238) | 373 | 23,827 |
| Balance at 1 July 2023 | 42,189 | (17,858) | 373 | 295 | 24,999 |
| Profit after income tax expense for the period | - | 1,172 | - | - | 1,172 |
| Other comprehensive income for the period, net of tax | - | - | (544) | - | (544) |
| Total comprehensive income for the period | - | 1,172 | (544) | - | 628 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Issue of shares (note 10) | 775 | - | - | - | 775 |
| Share Based Payments | - | - | - | 71 | 71 |
| Balance at 31 December 2023 | 42,964 | (16,686) | (171) | 366 | 26,473 |

Interim Consolidated Statement of Cash Flows for the Half Year Ended 31 December 2023

Consolidated Entity

| | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| Cashflows From Operating Activities | | |
| Receipts from customers (inclusive of GST) | 23,288 | 18,702 |
| Payments to suppliers and employees (inclusive of GST) | (21,262) | (17,153) |
| Interest received | 16 | 11 |
| Finance costs paid | (11) | - |
| Income tax paid | (162) | (356) |
| Net Cash From Operating Activities | 1,869 | 1,204 |
| Cashflows From Investing Activities | | |
| Payments for acquisition of property, plant, equipment | (293) | (83) |
| Payments for software and hardware development costs | (886) | (870) |
| Outflow of cash to acquire subsidiary, net of cash acquired (note 9 (b)) | (1,567) | - |
| Net Cash Provided by/ (Used in) Investing Activities | (2,746) | (953) |
| Cashflows From Financing Activities | | |
| Dividends paid (net of DRP) | - | (508) |
| Proceeds from issue of shares | 75 | - |
| Proceeds from borrowings | 1,600 | 3 |
| Repayment of borrowings and borrowing costs | (74) | - |
| Payment of lease liabilities | (323) | (304) |
| Net Cash Provided by/ (Used in) Financing Activities | 1,278 | (809) |
| Net Increase/(Decrease) in Cash Held | 401 | (558) |
| Cash and cash equivalents at beginning of period | 4,673 | 7,628 |
| Effects of exchange rate changes in cash | (101) | (91) |
| Cash and Cash Equivalents at End of Period | 4,973 | 6,979 |

Notes to the Interim Consolidated Financial Statements

Note 1. Basis of Preparation

This half-year financial report covers the consolidated entity consisting of Austco Healthcare Limited and its controlled entities. Austco Healthcare Limited is a listed public company, incorporated and domiciled in Australia.

(a) Basis of Preparation

This financial report is intended to provide users with an update on the latest annual financial statements of Austco Healthcare Limited (the Company) and its controlled entities (the Group). This half-year report has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Act 2001 as appropriate for for-profit oriented entities. It is recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2023, together with any public announcements made during the interim period. The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

During the reporting period the Company entered into a debt facility and drew down debt to partly fund the acquisition referred to in note 9. Additionally contingent consideration is payable to the vendors subject to the performance of the business to 31 December 2024. The accounting policy disclosed in our annual financial statements of the Group for the year ended 30 June 2023 has been used to account for both the debt facility and contingent consideration, being:

Financial liabilities

Financial liabilities are classified, as amortised cost or financial liabilities at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(b) Summary of the Significant Accounting Policies

The Group 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. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards Adopted by the Group

There were no new accounting standards adopted by the Group in the current reporting period.

Notes to the Interim Consolidated Financial Statements

Note 2. Revenue

Consolidated Entity

| | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
|---------------------------------------|----------------------------|----------------------------|
| Continuing Operations | | |
| Revenue from contracts with customers | 22,843 | 20,542 |
| Total Revenue | 22,843 | 20,542 |

Set out below is the disaggregation of the Group's revenue from contracts with customers, for the six months to 31 December 2023:

| | Equipment \$000 | Installation \$000 | Software & SMA \$000 | Total \$000 |
|--|--------------------|-----------------------|-------------------------|----------------|
| Type of Good or Service | | | | |
| Sale of equipment | 15,166 | - | - | 15,166 |
| Installation services | - | 3,695 | - | 3,695 |
| Sale of Software & Maintenance Agreements | - | - | 3,982 | 3,982 |
| Total revenue from contracts with customers | 15,166 | 3,695 | 3,982 | 22,843 |
| Geographical Markets | | | | |
| Australia/New Zealand | 7,359 | 360 | 1,169 | 8,888 |
| North America | 5,319 | 2,178 | 1,789 | 9,286 |
| Europe | 1,024 | 564 | 251 | 1,839 |
| Asia | 1,464 | 593 | 773 | 2,830 |
| Total revenue from contracts with customers | 15,166 | 3,695 | 3,982 | 22,843 |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 15,166 | - | 1,424 | 16,590 |
| Services transferred over time | - | 3,695 | 2,558 | 6,253 |
| Total revenue from contracts with customers | 15,166 | 3,695 | 3,982 | 22,843 |

Set out below is the disaggregation of the Group's revenue from contracts with customers, for the six months to 31 December 2022:

| | Equipment \$000 | Installation \$000 | Software & SMA \$000 | Total \$000 |
|--|--------------------|-----------------------|-------------------------|----------------|
| Type of Good or Service | | | | |
| Sale of equipment | 12,812 | - | - | 12,812 |
| Installation services | - | 4,144 | - | 4,144 |
| Sale of Software & Maintenance Agreements | - | - | 3,586 | 3,586 |
| Total revenue from contracts with customers | 12,812 | 4,144 | 3,586 | 20,542 |
| Geographical Markets | | | | |
| Australia/New Zealand | 5,048 | 292 | 540 | 5,880 |
| North America | 4,976 | 2,944 | 2,251 | 10,171 |
| Europe | 1,006 | 350 | 196 | 1,552 |
| Asia | 1,782 | 558 | 599 | 2,939 |
| Total revenue from contracts with customers | 12,812 | 4,144 | 3,586 | 20,542 |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 12,812 | - | 1,594 | 14,406 |
| Services transferred over time | - | 4,144 | 1,992 | 6,136 |
| Total revenue from contracts with customers | 12,812 | 4,144 | 3,586 | 20,542 |

Notes to the Interim Consolidated Financial Statements

Note 3. Other Income

Consolidated Entity

| | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
|--------------------------------|----------------------------|----------------------------|
| Other income | | |
| - Interest Received | 18 | 15 |
| - Foreign Exchange Gain/(loss) | 2 | 39 |
| Total Other Income | 20 | 54 |

Note 4. Segment Information

Management has determined the operating segments based upon reports reviewed by the Board and executive management that are used to make operational and strategic decisions. The Group focuses on providing electronic communications in healthcare and development of nurse call and care management systems for the hospitals and aged care markets. The Group is segmented into four geographic regions consisting of Australia/New Zealand, Asia, Europe and North America.

| \$'000 | Australia / NZ | Asia | Europe | North America | Total | Eliminations Intercompany | Corporate | Group Total |
|-------------------------|-------------------|--------------|--------------|------------------|---------------|------------------------------|--------------|----------------|
| 31 December 2023 | | | | | | | | |
| Revenue - external | 8,888 | 2,830 | 1,839 | 9,286 | 22,843 | - | - | 22,843 |
| Revenue - intersegment | 35 | - | - | 4,917 | 4,952 | (4,952) | - | - |
| Total Revenue | 8,923 | 2,830 | 1,839 | 14,203 | 27,795 | (4,952) | - | 22,843 |
| EBITDA | 1,761 | 676 | 235 | 569 | 3,241 | (582) | (593) | 2,066 |
| Depreciation | (53) | (55) | (29) | (192) | (329) | - | - | (329) |
| Amortisation | (36) | - | - | (646) | (682) | - | - | (682) |
| EBIT | 1,672 | 621 | 206 | (269) | 2,230 | (582) | (593) | 1,055 |
| Net Interest | 32 | (6) | (2) | (35) | (10) | 3 | - | (7) |
| Income Tax | 224 | (32) | 2 | (70) | 124 | - | - | 124 |
| NPAT | 1,929 | 583 | 206 | (374) | 2,344 | (579) | (593) | 1,172 |

| \$'000 | Australia / NZ | Asia | Europe | North America | Total | Eliminations Intercompany | Corporate | Group Total |
|-------------------------|-------------------|--------------|--------------|------------------|---------------|------------------------------|-----------|----------------|
| 31 December 2022 | | | | | | | | |
| Revenue - external | | | | | | | | |
| Revenue - intersegment | 5,880 | 2,939 | 1,552 | 10,171 | 20,542 | - | - | 20,542 |
| Interest Revenue | - | - | - | 4,314 | 4,314 | (4,314) | - | - |
| Total Revenue | 5,880 | 2,939 | 1,552 | 14,485 | 24,856 | (4,314) | - | 20,542 |
| EBITDA | 1,240 | 107 | 80 | 1,798 | 3,225 | (742) | 39 | 2,522 |
| Depreciation | (51) | (50) | (25) | (185) | (310) | - | - | (310) |
| Amortisation | (25) | - | - | (499) | (524) | - | - | (524) |
| EBIT | 1,164 | 57 | 55 | 1,115 | 2,391 | (742) | 39 | 1,688 |
| Interest | 51 | (8) | (2) | (55) | (14) | 5 | - | (9) |
| Income Tax | (262) | (8) | (12) | (18) | (300) | - | - | (300) |
| NPAT | 953 | 41 | 41 | 1,042 | 2,077 | (737) | 39 | 1,379 |

| | | | | | | | | |
|----------------------------|--------|-------|-------|--------|--------|----------|--------|--------|
| Segment Assets | | | | | | | | |
| 30/06/2023 | 32,682 | 2,878 | 1,659 | 30,598 | 67,817 | (40,745) | 10,738 | 37,810 |
| 31/12/2023 | 41,973 | 3,137 | 1,692 | 28,424 | 75,226 | (43,390) | 11,266 | 43,102 |
| Segment Liabilities | | | | | | | | |
| 30/06/2023 | 6,603 | 1,909 | 693 | 35,808 | 45,013 | (32,270) | 67 | 12,811 |
| 31/12/2023 | 14,501 | 2,014 | 753 | 34,063 | 51,331 | (34,704) | 2 | 16,629 |

Notes to the Interim Consolidated Financial Statements

Results of Segment

Segment revenues and expenses are those directly attributable to the segments and include revenue and expenses where a reasonable basis of allocation exists. The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of expenses from the operating segments such as depreciation, amortisation, net interest and impairment to non-current assets which is disclosed.

Inter-segment pricing

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Company. These transfers are eliminated on consolidation.

Note 5. Dividends

The Company resolved not to declare any dividends for the period ended 31 December 2023.

Note 6. Intangible assets

| | Note | 31 December 2023 \$'000 | 30 June 2023 \$'000 |
|---|------|----------------------------|------------------------|
| Intangible assets | | | |
| - Software and hardware development costs | | 5,810 | 5,455 |
| - Goodwill | 9 | 3,216 | - |
| Total Intangible assets | | 9,026 | 5,455 |

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's analysis that technological and economic feasibility is confirmed once a product development project has reached defined milestones according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, product life cycle and expected period of benefits.

The carrying value of goodwill is outlined in note 9, Business Combinations.

Note 7. Contingent Liabilities and Assets

There have been no changes in contingent liabilities and assets reported since the last annual reporting date.

Note 8. Net Tangible Assets

| | 31 December 2023 \$'000 | 30 June 2023 \$'000 |
|---------------------|----------------------------|------------------------|
| Net Tangible Assets | 14,855 | 17,457 |
| Closing Shares | 295,256,748 shares | 290,790,167 shares |
| Net Tangible Assets | 5.03 cents | 6.00 cents |

Consistent with the recent ASIC interpretation, we have excluded the right-of-use asset from the Net Tangible Assets calculation but have included the Lease Liabilities.

Notes to the Interim Consolidated Financial Statements

Note 9. Business Combinations

(a) Summary of acquisition

On 27 November 2023, the Group acquired the businesses of Teknocorp and Victorian Monitoring Systems (VMS) by way of an asset sale. Teknocorp and VMS are a security and healthcare solutions provider and have been a certified Austco Nurse Call reseller for more than 20 years. Teknocorp specialises in providing integrated nurse call, security, access control and complementary systems to small and medium-scale enterprises in public and private sectors. The acquisition increases Austco's direct sales capability, provides growth opportunities and enhances its range of solutions to better meet the needs of the Australian healthcare market.

Details of the purchase consideration, net assets acquired, and goodwill on a provisional basis are as follows:

Purchase consideration (refer to (b) below):

| | \$'000 |
|----------------------------------|---------------|
| Cash paid | 1,900 |
| Ordinary shares Issued (note 10) | 700 |
| Contingent consideration | 967 |
| Total purchase consideration | <u>3,567</u> |

The fair value of the 3,888,889 shares issued as part of the consideration paid for Teknocorp and VMS (\$0.7m) was based on the 30-day volume-weighted average price two business days prior to settlement (27 November 2023) of 18 cents per share.

Contingent consideration is based on an earn out due under the sale contract calculated on the annualized EBITDA of Teknocorp and VMS for the period from 27 November 2023 to 31 December 2024 multiplied by 3.5 times, less \$2,600,000 (being the upfront cash and ordinary shares consideration). The basis for determining the amount of earnout payable included a weighted value of potential annualised EBITDA outcomes based on due diligence, historical financial performance and the financial performance in the current year with probability assumptions applied.

The assets and liabilities recognised as a result of the acquisition are as follows:

| | \$'000 |
|----------------------------------|---------------|
| Cash | 333 |
| Accounts receivables | 1,930 |
| Deposits/Bonds Held | 5 |
| Project Retentions Held | 476 |
| Inventories | 1,370 |
| Furniture & Fittings | 63 |
| Motor Vehicles | 109 |
| Office Equipment | 34 |
| Plant & Equipment | 8 |
| Trade payables | (1,236) |
| Accrued Liabilities | (826) |
| Employment benefit obligations | (243) |
| Unearned Revenue | (1,672) |
| Net identifiable assets acquired | <u>351</u> |
| Add: Goodwill | 3,216 |
| Net assets acquired | <u>3,567</u> |

The goodwill is attributable to the workforce and the profitability of the acquired businesses. It will not be deductible for tax purposes.

Notes to the Interim Consolidated Financial Statements

Note 9. Business Combinations (continued)

There were no acquisitions in the half year ending 31 December 2022.

(i) *Acquired receivables*

The fair value of acquired trade receivables is \$1,929,641. The gross contractual amount for trade receivables due is \$2,145,873, with a loss allowance of \$216,231 recognised on acquisition.

(ii) *Acquired Inventories*

The fair value of acquired inventories is \$1,370,565. The gross amount for inventories is \$1,444,355 with a provision for slow moving inventory allowance of \$73,790 recognised on acquisition.

(iii) *Revenue and profit contribution*

The acquired businesses contributed revenues of \$2,430,270 and net profit of \$379,209 to the group for the period from 27 November 2023 to 31 December 2023.

The disclosure requirement of the revenues and net profit if the acquisition had occurred on 1 July 2023 is impracticable given the material differences in accounting policies between the group and the acquired businesses pre acquisition, specifically with regards to revenue recognition, accounting for inventories, lease liabilities and employment benefit obligations.

(b) Purchase Consideration – cash outflow

| | 31 December 2023 |
|---|------------------|
| | \$'000 |
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Cash consideration | 1,900 |
| Less: Balances acquired | 333 |
| Net outflow of cash – investing activities | 1,567 |

Acquisition-related costs

Acquisition-related costs of \$0.155m that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cashflows.

Note 10. Issued Capital

| | 31 December 2023 | | |
|---|--------------------|---------|---------------|
| | No. of shares | Price | \$'000 |
| At the beginning of the reporting period: | 290,790,167 | | 42,189 |
| Acquisition consideration (note 9) | 3,888,889 | \$0.180 | 700 |
| Exercise of Options into Shares | 577,692 | \$0.130 | 75 |
| At Reporting Date | 295,256,748 | | 42,964 |

| | 31 December 2022 | | |
|---|--------------------|---------|---------------|
| | No. of shares | Price | \$'000 |
| At the beginning of the reporting period: | 287,085,669 | | 41,720 |
| Dividend Reinvestment Plan | 2,731,674 | \$0.130 | 355 |
| At Reporting Date | 289,817,343 | | 42,075 |

Notes to the Interim Consolidated Financial Statements

Note 11. Events after the reporting date

No matters or circumstances, other than those listed below, have arisen since the end of the reporting date, not otherwise disclosed in this report, which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

On 21 February 2024 the Company announced that it had entered into a conditional binding term sheet to purchase Queensland based Amentco Enterprise Group Pty Ltd, which will further accelerates its Australian direct sales capability. This acquisition is priced at 3.5 times earnings before interest depreciation amortisation and tax (EBITDA) consistent with the Teknocorp acquisition. The acquisition is expected to be earnings per share accretive, not including any revenue synergy benefits.

Directors' Declaration

The Directors of Austco Healthcare Limited declare that in the Directors' opinion:

- (a) the financial report and notes of Austco Healthcare Limited for the half year ended 31 December 2023 are in accordance with the Corporation Act 2001, including:
 - (i) giving a true and fair view of consolidated entity's financial position as at 31 December 2023 and of its performance, for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standards and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they became due and payable.

Signed in accordance with a resolution of the directors.



Clayton Astles
Chief Executive Officer
Dated 26 February 2024

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Auditor's Independence Declaration

To the Directors of Austco Healthcare Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Austco Healthcare Limited for the half-year ended 31 December 2023. 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance
Melbourne, 26 February 2024

Independent Auditor's Review Report

To the Members of Austco Healthcare Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Austco Healthcare Limited (the Group) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Austco Healthcare Limited does not comply with the *Corporations Act 2001* including:

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility for the review of the financial report

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

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance
Melbourne, 26 February 2024