zenitas
HEALTHCARE LIMITED

Annual Report

30 June 2018

CONTENTS

CORPORATE DIRECTORY

Directors	Shane Tanner – Chairman Justin Walter – Managing Director and Chief Executive Officer Jonathan Lim – Director Dr Todd Cameron – Director Dr Jonathan Seah – Director
Company Secretary	Melanie Leydin
Registered Office & Principal Place of Business	Level 2, 391 St Kilda Road Melbourne Vic 3004 Telephone +61 3 9821 3701
Share Registry	Automic Registry Services Level 3, 50 Holt Street Surry Hills NSW 2010 Telephone: +61 2 9698 5414 Website: www.automic.com.au
Securities Exchange Listing	Australian Stock Exchange Trading code: ZNT – Ordinary Shares
Auditor	RSM Australia Partners Level 21, 55 Collins Street Melbourne Vic 3000 Website: www.rsm.com.au
Bankers	Westpac Banking Corporation National Australia Bank
Solicitors	Nicholas O'Donohue & Co Level 29, 140 William Street Melbourne Vic 3000

CHAIRMAN'S REPORT

For the year ended 30 June 2018

Introduction

On behalf of the Board of Directors of Zenitas Healthcare Limited, I am pleased to present our 2018 Annual Report.

The Period in Review

The financial year ended 30 June 2018 was a year of significant growth with strong organic growth achieved and several key acquisitions integrated into the Zenitas business. The financial results delivered were in line with previously advised profit guidance and are detailed in the highlights below. Well done to the Zenitas team.

The focus for 2018 has been on integrating the company's strategic acquisitions in order to rapidly build Zenitas into Australia's leading provider of community healthcare. The company now has a presence in six states and more than 2,000 clinicians and home care support workers across more than 70 locations.

As anticipated, the ever-increasing need for quality healthcare and personal support, particularly to manage chronic conditions amongst our rapidly ageing population, is driving demand for affordable, high quality care services.

Highlights for the year ended 30 June 2018 included:

- Revenue up $54.2m to $76.6m.
- Underlying FY18 EBITDA of $13.9m, $6.9m higher than FY17 proforma EBITDA of $7.0m.
- Underlying FY18 EBITDA excluding material acquisitions of $13.2m, in line with previous guidance provided of between $13.0m and $13.5m.
- Underlying EBITDA margin of 18.2%, up 12% compared to FY17 proforma EBITDA margin.
- The Company's balance sheet remains sound with cash at year-end of $6.7m and undrawn debt facilities of $6.5m.

Zenitas remains the only listed entity on the Australian Stock Exchange that specialises in the community healthcare market. Our local networks of primary healthcare, allied healthcare and in-home care clinicians and health care teams work together to deliver care that is better for everyone in our communities. This approach reflects our belief that people are happier and stay healthier when they remain at home, rather than having to rely on institutional care.

Multiple acquisitions over the past 12 months have broadened our national footprint and enable the delivery of our collaborative care model. In particular, the acquisition of Australian Home Care in July 2018 and extension of the mobile care service offering has enabled delivery of more holistic care for existing customers.

During the year we also welcomed Dr Jonathan Seah to the Board as Non-Executive Director, bringing 25 years of experience in healthcare, strategy, investments and management. Jonathan is currently also Chairman of Innovative Healthcare (HK) and the China Medical & HealthCare Group (CMHG) and Managing Director of IXL Fund.

Finally, I must extend the Board's congratulations to the whole Zenitas Healthcare team. Under the leadership of Justin Walter, the team has performed exceptionally well throughout an intense period of change. We congratulate you all on the ability to bring the Zenitas vision to life in such a professional and excellent way.

Shane Tanner
Chairman
31 August 2018

Your Directors present their report, together with the financial statements of Zenitas Healthcare Limited ("the Company" or "Zenitas") and controlled entities ("the Group") for the financial year ended 30 June 2018.

Directors

The names of the Directors who held office from 1 July 2017 to date of this report, unless otherwise stated, are:

Mr Shane Tanner – Non-Executive Chairman

Mr Justin Walter – Managing Director and Chief Executive Officer

Mr Jonathan Lim – Non-Executive Director

Dr Todd Cameron – Executive Director

Dr Jonathan Seah – Non-Executive Director (appointed 6 December 2017)

Mr Jeremy Kirkwood – Alternate Director for Dr Todd Cameron (resigned 2 March 2018)

Company Secretary

The name of the Company Secretary in office at the end of the financial year is Ms Melanie Leydin (appointed 23 February 2018).

Principal Activities

The principal continuing activity of the Group is the operation of a community-based healthcare business that provides integrated patient care solutions throughout Australia.

Dividends Paid or Recommended

The Directors have recommended the payment of a 100% franked final dividend of $0.015 (1.5 cents) per fully paid ordinary share to be paid on 17 October 2018 in respect of the financial year ended 30 June 2018.

The final dividend will be paid to all shareholders on the register of members as at the Record Date of 19 September 2018. The dividend has not been included as a liability in the financial statements.

In April 2018, an unfranked interim dividend of $0.01 (1 cent) per fully paid ordinary share valued at $742,737 was paid. The record date was 19 March 2018 and the payment date was 16 April 2018.

Operating Results and Review of Operations for the Year

During the year ended 30 June 2018, the Group acquired 13 community-based healthcare businesses (the "Acquisitions") in accordance with its strategy, becoming a leading ASX-listed community-based healthcare service provider in Australia.

Key financial highlights include:

	2018 $	2017 $
Revenue	76,562,586	22,396,650
Underlying EBITDA	13,914,055	3,453,663
EBITDA	12,056,235	782,507
Profit/(Loss) after tax after non-controlling interests	3,881,468	165,616
Operating Cash Flow	7,357,106	602,446
Net Debt/(Cash)	12,166,417	(6,484,191)

Operating Results and Review of Operations for the Year (continued)

Highlights for the year included:

- Underlying FY18 EBITDA of $13.9m, $6.9m higher than FY17 proforma EBITDA of $7.0m.
- Underlying FY18 EBITDA excluding material acquisitions of $13.2m, in line with previous guidance provided of between $13.0m and $13.5m.
- Underlying EBITDA margin of 18.2%, up 12% compared to FY17 proforma EBITDA margin.
- The Company's balance sheet remains sound with cash at year-end of $6.7m and undrawn debt facilities of $6.5m.
- Completion of the acquisition of 13 community-based healthcare businesses.
- Full year revenues up by $54.2m to $76.6m, a significant increase from FY17 as a result of the full-year contribution from previous acquisitions and the Acquisitions completed during the year.
- Successful completion of a $30 million placement and rights issue capital raising in October 2017.
- The successful integration of the Acquisitions into the Group.
- Continued focus on organic growth initiatives including increased capture of cross-referrals, 55,000+ new patients and clients, 6% increase in Residential Aged Care Facility beds serviced, and the roll-out of existing services into existing and new locations.
- The continued assessment of investment and acquisition opportunities in order to fulfil the Group's vision of becoming the leading ASX-listed community-based healthcare service provider.

Capital structure

During the year, the Company undertook a capital raising of $29.7 million via a fully underwritten institutional placement and entitlement offer, issuing 25,854,644 shares at an issue price of $1.15 per share on 9 November and 21 November 2017. Capital raising costs of $1.9 million were incurred.

The Company also issued 2,703,030 ordinary shares as partial consideration for the Dimple acquisition at an issue price of $0.99 per share on 28 August 2017, and 189,981 shares as partial consideration for the Modern Medical Craigieburn acquisition at an issue price of $1.218 per share on 20 February 2018.

Debt facility

During the year, the Company drew down $18,634,000 under its Debt Facility Agreement with Westpac Banking Corporation ("Westpac") to fund acquisitions of businesses and plant and equipment.

On 30 August 2018, the Company executed formal Debt Facility Agreements with National Australia Bank Limited for a $68 million Debt Facility. The purpose of this facility is to repay the Westpac Debt Facility and to fund future acquisitions of businesses.

Acquisitions

During the year ended 30 June 2018, the Company completed the acquisition of 13 community healthcare businesses. The company paid the vendors a total upfront purchase price of $38.9 million.

On 30 July 2018, the Company completed the acquisition of Australian Home Care Services (AHCS), a leading home care services provider in Victoria and New South Wales servicing aged and disabled clients.

Further details regarding the Acquisitions are outlined in Notes 14 and 27 to the financial statements.

Likely Developments and Expected Results of Operations

The Group's focus for the coming year will be on strategies to deliver its vision of becoming a leading ASX-listed community-based healthcare service provider.

Zenitas will continue to implement strategies to drive organic growth initiatives, expansion of its service offerings, and to realise revenue and cost synergy opportunities across each segment.

The Group will continue to assess investment and acquisition opportunities that are complementary to its existing operations which further enhance its national footprint and service offering to its customer segments.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this Financial Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Events Subsequent to Reporting Date

On 1 May 2018, the Company entered into a binding agreement to acquire 100% of Australian Home Care Services (AHCS), a leading home care services provider in Victoria and New South Wales servicing aged and disabled clients. The acquisition was completed on 30 July 2018. The total consideration paid was $4 million funded from the Company's existing cash reserves.

On 4 July 2018, adjustments were made to the remuneration arrangements for the Managing Director and Chief Executive Officer of Zenitas, Mr Justin Walter.

On 29 August 2018, Chief Financial Officer of Zenitas, Mr Glen Dymond was awarded 68,750 performance rights in respect of the 30 June 2019 financial year.

On 30 August 2018, the Company executed formal Debt Facility Agreements with National Australia Bank Limited for a $68 million Debt Facility. The purpose of this facility is to repay the Westpac Debt Facility and to fund future acquisitions of businesses.

There has not arisen in the interval between the end of the reporting period and the date of this report any other item, transaction or event of a material or unusual nature not otherwise dealt with in the financial statements, likely in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of the operations or the state of affairs of the Group in future financial years.

Directors' Qualifications and Experience

The following information on directors is current as at the date of this report.

Mr Shane Tanner

Non-Executive Chairman

Qualifications

FCPA, ACIS

Experience

Shane was one of the Co-Founders of Zenitas and has considerable experience at both senior executive and board level, bringing more than 25 years' experience in healthcare and strategy. Shane has orchestrated and been responsible for numerous small and large scale acquisitions. He has also helped to establish and guide a number of significant businesses.

Shane is also currently Chairman of two successful healthcare businesses, Paragon Care Limited (ASX: PGC) and Rhythm Biosciences Limited (ASX: RHY). Shane is also Chairman of ASX listed Funtastic Limited (ASX: FUN). Previously Shane was CEO of Symbion Health, one of Australia's largest diagnostic businesses and Chairman of Vision Eye Institute.

Directors' Qualifications and Experience (continued)

Mr Justin Walter

Managing Director and Chief Executive Officer

Qualifications

MPH (JCU)

Experience

Justin brings 28 years' experience in healthcare.

Previously, Justin was the General Manager of the Health & Aged Care sector for Spotless Group.

In addition, he has held a number of senior roles with Healthscope including State Manager for Western Australia and the Northern Territory, as well as working with Ernst & Young in setting up their health advisory practice in Western Australia.

Justin has extensive experience in private healthcare and a strong clinical and public healthcare background.

Mr Jonathan Lim

Non-Executive Director

Qualifications

BBus (Dtn) (UTS), F Fin, CAIA

Experience

Jonathan was one of the Co-Founders of Zenitas and brings more than 15 years' experience in mergers and acquisitions, private equity and corporate finance.

Currently, Jonathan is the Managing Director at Liverpool Partners, an investment and advisory company located in Sydney. Jonathan was also previously Investment Director at Arowana.

At Liverpool Partners, Jonathan led the recapitalisation of the Company and has established a strong track record in the healthcare sector as both investor and advisor.

Dr Todd Cameron

Executive Director

Qualifications

FRACGP. MAICD

Experience

Todd brings over 20 years' experience in medicine and healthcare.

Todd is the co-founder of the Modern Medical Group and a fellow of the Royal Australian College of General Practitioners, developing and growing the group to six medical clinics.

Todd is an accredited General Practitioner Registrar Supervisor and served as a Board member for five years for PivotWest the Local Division of General Practice and was the Chair of the regional Medicare Local.

Directors' Qualifications and Experience (continued)

Dr Jonathan Seah

Non-Executive Director

Qualifications

MBBChBAO (NUI), MBA (Harvard)

Experience

Jonathan brings 25 years of experience in healthcare, strategy, investments and management.

Currently Chairman of Innovative Healthcare (HK) and the China Medical & HealthCare Group (CMHG) (HKSE: 383.hk) and Managing Director of IXL Fund. Prior CEO of CMHG, founding CEO of ParkwayHealth China, and CEO of First Steamship (TSEC: 2601.TW). Previously also VP at Merrill Lynch Investment Bank (US/Singapore), and Head of Strategy and BD at Biotronik (US). Jonathan started his career as a doctor at the National University Hospital and Tan Tock Seng Hospital in Singapore, and was a Brigade Medical Officer in the Singapore Army. He lives in Hong Kong and Shanghai.

Company Secretary

Ms Melanie Leydin

Melanie has 25 years' experience in the accounting profession and is a director and company secretary for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of chartered accounting firm, Leydin Freyer, specialising in outsourced company secretarial and financial duties.

Meetings of Directors

During the financial year, sixteen (16) meetings of Directors were held. Attendances by each Director during the year are stated in the following table.

	DIRECTORS' MEETINGS	
	Eligible to attend	Attended
Shane Tanner	16	15
Justin Walter	16	16
Jonathan Lim	16	15
Todd Cameron	16	16
Jonathan Seah	7	6
Jeremy Kirkwood	12	1

At the date of this report, the Nomination and Remuneration Committee and the Audit and Risk Committee comprises the full Board of Directors. The Directors believe that the Company is not currently of a size to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.

Remuneration Report (audited)

This remuneration report sets out remuneration information for the Group's Non-Executive Directors, Executive Directors and other key management personnel ("KMP").

Directors and key management personnel disclosed in this report

Non-Executive and Executive Directors (see page 6):

Mr Shane Tanner
Mr Justin Walter
Mr Jonathan Lim
Dr Todd Cameron
Dr Jonathan Seah
Mr Jeremy Kirkwood

Other key management personnel:

Mr Glen Dymond Chief Financial Officer

Remuneration governance

The Directors believe the Company is not currently of a size to warrant the establishment of a separate Remuneration Committee. Accordingly, all matters are considered by the full Board of Directors.

The Board's remuneration policy determines the nature and amount of remuneration for Board members and senior executives of the Company. As part of this policy, the Board sets the terms and conditions and remuneration levels for senior executives to secure and retain the services of suitable individuals capable of contributing to the achievement of the Group's strategic objectives.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparative companies both locally and internationally and the objectives of the Group's compensation strategy. During the financial year, the Company did not engage any remuneration consultants.

Principles used to determine the nature ad amount of remuneration

Non-Executive Directors

The Board's policy is to remunerate non-executive directors at a level to comparable companies for time, commitment, and responsibilities. Non-executive directors do not receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to non-executive directors.

The Board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice will be sought when required.

The current maximum aggregate amount of fees that can be paid to non-executive directors is $275,000 per annum, as approved by shareholders at the 2016 Annual General Meeting held on 15 December 2016. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Total fees paid to the non-executive directors for the financial year were $178,619 (2017: $154,000) and cover main Board activities only. Non-executive directors may receive additional remuneration for other services provided to the Group and Directors are entitled to claim business-related expenses incurred in the performance of their duties in line with the Group's expense reimbursement procedure.

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued to directors' subject to approval by shareholders in a general meeting. Non-executive directors have a written agreement with the Company setting out the terms of their appointment as directors.

Principles used to determine the nature ad amount of remuneration (continued)

Executive Pay

The objective of the Group's Executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns Executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward.

The Board is responsible for determining and reviewing compensation arrangements. The Board assesses the appropriateness of the nature and amount of remuneration of company Executives on a periodic basis by reference to relevant employment market conditions and capacity to pay with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Executive team. Remuneration packages are set at levels that attract and retain Executives capable of managing the Company's operations. Remuneration and other terms of employment for the Managing Director and Executives have been formalised in service agreements.

Agreements are structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-cash financial benefits at the Executives' discretion.

Changes to Key Terms of Managing Director's Employment

The Board approved a revised remuneration package for the Managing Director after considering benchmarking across peer group companies, achievements in the financial year and the importance of retention. The changes to the employment terms of the Managing Director are:

- In respect of the 2018 financial year, the Board approved an additional $53,573 Short Term Incentive (STI) payment;
- The fixed remuneration of the Managing Director was increased to $430,000 per annum, effective 1 July 2018;
- The Managing Director's STI was set to a target of 35% of fixed remuneration; and
- An additional long-term equity incentive of 35% of fixed remuneration with appropriate performance hurdles, the specific terms to be agreed and subject to shareholder approval.

Details of remuneration and service agreements

Major provisions of the agreements with Executives as at 30 June 2018 relating to remuneration are set out below:

Name	Term of agreement	Base Salary including Superannuation	Notice period - termination for cause	Notice period - termination without cause	Termination payment
Mr Justin Walter Chief Executive Officer	Ongoing	$430,000	None	6 months	6 months
Mr Glen Dymond Chief Financial Officer	Ongoing	$275,000	None	3 months	3 months

Details of Remuneration of Directors and Executives of the Company

Key Management Personnel	Short-term benefits			Post-employment benefits	Share-based payments	Total	Option %
	Cash Salary and Fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Options		
	$	$	$	$	$	$	%
2018							
Shane Tanner	70,000	-	-	-	94,312	164,312	57%
Justin Walter	268,881	53,573	16,003	25,000	-	363,457	0%
Jonathan Lim	42,000	-	-	-	-	42,000	0%
Todd Cameron	42,000	-	-	-	-	42,000	0%
Jonathan Seah [1]	24,619	-	-	-	-	24,619	0%
Jeremy Kirkwood [2]	-	-	-	-	-	-	0%
Total Directors	**447,500**	**53,573**	**16,003**	**25,000**	**94,312**	**636,388**	**15%**
Executives							
Glen Dymond [3]	185,355	25,600	28,946	20,049	-	259,950	0%
Total Executives	**185,355**	**25,600**	**28,946**	**20,049**	**-**	**259,950**	**0%**
Total KMP	**632,855**	**79,173**	**44,949**	**45,049**	**94,312**	**896,338**	**11%**

2017							
Directors							
Shane Tanner	60,000	-	-	-	47,186	107,186	44%
Justin Walter	255,131	61,628	5,334	19,616	19,992	361,701	6%
Jonathan Lim	36,000	-	-	-	-	36,000	0%
Todd Cameron	40,000	-	-	-	-	40,000	0%
Jeremy Kirkwood [2]	18,000	-	-	-	-	18,000	0%
Total Directors	**409,131**	**61,628**	**5,334**	**19,616**	**67,178**	**562,887**	**12%**
Executives							
Glen Dymond [3]	139,832	37,500	25,215	14,550	-	217,097	0%
Total Executives	**139,832**	**37,500**	**25,215**	**14,550**	**-**	**217,097**	**0%**
Total KMP	**548,963**	**99,128**	**30,549**	**34,166**	**67,178**	**779,984**	**9%**

1. Appointed 6 December 2017
2. Resigned 2 March 2018
3. Appointed 8 August 2016

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

	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
Directors						
Shane Tanner	43%	56%	-	-	57%	44%
Justin Walter	85%	77%	15%	17%	-	6%
Jonathan Lim	100%	100%	-	-	-	-
Todd Cameron	100%	100%	-	-	-	-
Jonathan Seah	100%	-	-	-	-	-
Jeremy Kirkwood	-	100%	-	-	-	-
Executives						
Glen Dymond	90%	83%	10%	17%	-	-

Details of Remuneration of Directors and Executives of the Company (continued)

Cash bonuses are dependent on meeting defined performance measures. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Board of Directors.

	Cash bonus paid/payable		Cash bonus forfeited	
	2018	2017	2018	2017
Directors				
Justin Walter	47%	75%	53%	25%
Executives				
Glen Dymond	43%	75%	57%	25%

Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year.

Share options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date.

Key Management Personnel	Grant Date	Granted during the year	Grant	Vesting	Exercise Price	Expiring	Vested during the year	Lapsed during the year
		$	Number		$		Number	Number
2018								
Nil								
2017								
Shane Tanner	28-Dec-16	26,406	200,000	-	$1.00	28-Dec-18	-	-
Shane Tanner	28-Dec-16	20,781	200,000	-	$1.00	28-Dec-19	-	-
Justin Walter +	14-Apr-16	-	-	14-Apr-17	$1.00	14-Apr-19	42,016	-

No options were issued during the year (2017: 400,000). The amount recognised as an expense during the year in relation to options issued in previous financial years was $94,312 (2017: $67,178).

KMP options holdings

The number of options over ordinary shares held directly or indirectly by each KMP of the Group during the financial year is as follows:

Key Management Personnel	Balance at the start of the year (or date of appointment)	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year (or date of resignation)	Vested and exercisable	Unvested
	Number	Number	Number	Number	Number	Number	Number
2018							
Shane Tanner	435,013	-	(35,013)	-	400,000	200,000	200,000
Justin Walter	42,016	-	-	-	42,016	42,016	-
Jonathan Lim	369,747	-	(369,747)	-	-	-	-
Todd Cameron	-	-	-	-	-	-	-
Jonathan Seah [1]	-	-	-	-	-	-	-
Jeremy Kirkwood [2]	-	-	-	-	-	-	-
Glen Dymond [3]	-	-	-	-	-	-	-
Total	**846,776**	**-**	**(404,760)**	**-**	**442,016**	**242,016**	**200,000**

KMP options holdings (continued)

Key Management Personnel	Balance at the start of the year (or date of appointment)	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year (or date of resignation)	Vested and exercisable	Unvested
	Number	Number	Number	Number	Number	Number	Number
2017							
Shane Tanner	35,013	400,000	-	-	435,013	35,013	400,000
Justin Walter	42,016	-	-	-	42,016	42,016	-
Jonathan Lim	369,747	-	-	-	369,747	369,747	-
Todd Cameron	-	-	-	-	-	-	-
Jeremy Kirkwood [2]	-	-	-	-	-	-	-
Glen Dymond [3]	-	-	-	-	-	-	-
Total	**446,776**	**400,000**	**-**	**-**	**846,776**	**446,776**	**400,000**

1. Appointed 6 December 2017
2. Resigned 2 March 2018
3. Appointed 8 August 2016

KMP shareholdings

The number of ordinary shares in the Company held directly or indirectly by each KMP of the Group during the financial year is as follows:

Key Management Personnel	Balance at the start of the year (or date of appointment)	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at the end of the year (or date of resignation)
	Number	Number	Number	Number	Number
2018					
Shane Tanner	136,867	-	35,013	64,455	236,335
Justin Walter	95,884	-	-	-	95,884
Jonathan Lim	547,480	-	369,747	(68,949)	848,278
Todd Cameron	1,781,116	-	-	85,492	1,866,608
Jonathan Seah [1]	8,100,816	-	-	-	8,100,816
Jeremy Kirkwood [2]	989,506	-	-	107,989	1,097,495
Glen Dymond [3]	82,016	-	-	30,756	112,772
Total	**11,733,685**	**-**	**404,760**	**219,743**	**12,358,188**
2017					
Shane Tanner	86,867	-	-	50,000	136,867
Justin Walter	42,016	-	-	53,868	95,884
Jonathan Lim	547,480	-	-	-	547,480
Todd Cameron	1,572,765	-	-	208,351	1,781,116
Jeremy Kirkwood [2]	873,756	-	-	115,750	989,506
Glen Dymond [3]	42,016	-	-	40,000	82,016
Total	**3,164,900**	**-**	**-**	**467,969**	**3,632,869**

1. Appointed 6 December 2017
2. Resigned 2 March 2018
3. Appointed 8 August 2016

Loans to or from KMP and their related parties

There were no other loans made to or from Key Management Personnel during the financial year.

Acquisition of Modern Medical Craigieburn

Todd Cameron (Executive Director) and Jeremy Kirkwood (Alternate Non-Executive Director) received sale proceeds of $520,634 and $289,241 respectively for the sale of their 45% and 25% interests respectively in the Modern Medical Craigieburn transaction - refer to Note 14 to the financial statements. This amount was paid 80% in cash and 20% in shares in the Company. Neither Todd Cameron or Jeremy Kirkwood have been involved in the negotiations or any decision to proceed with the Modern Medical Craigieburn transaction on either the buy side (for the Company) or the sell side (for the Modern Medical Craigieburn Vendor). The Board considers that the Modern Medical Craigieburn transaction is on arm's length, commercial terms.

Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the Group's key management personnel:

- Transaction advisory fees of $1,569,335 and reimbursement of travel and incidental expenses of $29,547 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Project identification and management fees of $240,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Acquisition due diligence fees of $66,000 paid to Dr Todd Cameron.

This concludes the remuneration report, which has been audited.

Additional information

The earnings of the company for the 3 years to 30 June 2018 are summarised below:

	2018	2017	2016
	$	$	$
Sales revenue	75,840,851	22,070,020	939,750
EBITDA	12,056,235	782,507	(2,309,973)
EBIT	10,404,705	(7,892)	(2,329,258)
Profit after income tax	7,316,896	165,616	(2,323,288)

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

	2018	2017	2016
	$	$	$
Share price at financial year end	1.00	0.89	n/a
Total dividends declared (cents per share)	2.5	-	-
Basic earnings per share (cents per share)	6.1	(0.4)	(1.6)

Environmental Regulations

The Company is subject to the environmental regulations under legislation of the Commonwealth of Australia. The Company aims to comply with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental regulations.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Zenitas Healthcare Limited support, and adhere to, good corporate governance practices. Refer to the Company's Corporate Governance Statement at www.zenitas.com.au.

Indemnifying Officers or Auditor

Indemnification

The Company indemnifies each of its directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the *Corporations Act 2001* from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the *Corporations Act 2001*. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

To the extent permitted by law, the Company has agreed to indemnify its auditors, RSM Australia Partners, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

Insurance premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Options

Unissued shares under option

At the date of this report, the un-issued ordinary shares of Zenitas Healthcare Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
23 December 2014	22 December 2018	$0.714	458,682
8 September 2015	8 September 2018	$0.68	35,014
14 April 2016	14 April 2019	$1.00	42,016
28 December 2016	28 December 2018	$1.00	200,000
28 December 2016	28 December 2019	$1.00	200,000

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate. During the year, 780,805 shares were issued pursuant to the exercise of options (2017: 70,027). No options were issued during the year ended 30 June 2018.

Options (continued)

Shares issued on the exercise of options

The following ordinary shares of Zenitas Healthcare Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted:

Grant Date	Exercise Price	Number of shares issued
8 September 2017	$0.714	208,682
11 October 2017	$0.714	10,504
6 December 2017	$0.68	1,400
1 February 2018	$0.68	1,400
6 February 2018	$0.68	43,626
12 February 2018	$0.68	457,281
19 February 2018	$0.68	26,400
6 June 2018	$0.714	31,512
27 August 2018	$0.714	56,022

Auditor

RSM Australia Partners was appointed Company auditor on 19 May 2017 and will continue in office in accordance with section 327 of the *Corporations Act 2001*.

Non-Audit Services

The Company may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

During the year, RSM Australia Partners, the Company's auditor provided taxation services in addition to the statutory audit. Details of their remuneration can be found within the financial statements at Note 6 Auditor's remuneration.

As non-audit services are provided by RSM Australia Partners, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the *Corporations Act 2001*. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the year ended 30 June 2018 has been received and can be found on page 17 of this report.

Signed in accordance with a resolution of the Board of Directors.

Shane Tanner

Non-Executive Chairman

31 August 2018

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Zenitas Healthcare Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

R B MIANO
Partner

Dated: 31 August 2018
Melbourne, Victoria

zenitas
HEALTHCARE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Continuing operations			
Trading revenue	2	75,840,851	22,070,020
Other income	2	721,735	326,630
Income		**76,562,586**	**22,396,650**
Employee benefits expense	3	45,244,352	12,183,638
Occupancy costs		8,670,693	3,474,697
Consumables and direct costs		2,931,008	1,159,462
Administrative expenses		2,814,394	1,328,490
Acquisition costs		1,857,820	2,294,495
Depreciation and amortisation expense	3	1,651,530	790,399
Other expenses		2,988,084	1,173,361
Results from operating activities		**10,404,705**	**(7,892)**
Finance costs		(927,804)	(96,015)
Finance income	2	128,513	39,864
Profit/(Loss) before tax from continuing operations		**9,605,414**	**(64,043)**
Income tax expense/(benefit)	4	2,288,518	(229,659)
Profit for the year from continuing operations		**7,316,896**	**165,616**
Other comprehensive income:			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**7,316,896**	**165,616**
Profit/(loss) for the period attributable to:			
Owners of Zenitas Healthcare Limited		3,881,468	(669,238)
Non-controlling interests		3,435,428	834,854
Total comprehensive income for the year		**7,316,896**	**165,616**

Profit / (loss) per share attributable to the ordinary equity holders of the Company:	Note	CONSOLIDATED 2018 Cents per share	CONSOLIDATED 2017 Cents per share
Basic profit/(loss) - cents per share	7	6.1	(0.4)
Diluted profit/(loss) - cents per share	7	6.0	(0.4)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	CONSOLIDATED 2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	8	6,664,705	7,719,794
Trade and other receivables	9	12,603,391	3,917,646
Inventory		539,813	381,837
Other assets	10	731,974	491,495
TOTAL CURRENT ASSETS		20,539,883	12,510,772
NON-CURRENT ASSETS			
Plant and equipment	11	5,935,823	3,352,019
Investments accounted for using the equity method	12	1,015,370	-
Prepayments	13	43,752	158,334
Intangible assets	15	81,944,026	32,121,430
Deferred tax asset	4	2,739,842	1,985,141
Other		148,537	149,426
TOTAL NON-CURRENT ASSETS		91,827,350	37,766,350
TOTAL ASSETS		112,376,233	50,277,122
CURRENT LIABILITIES			
Trade and other payables	16	10,570,461	6,336,530
Provisions	17	6,188,975	8,370,869
Income tax	4	2,130,585	-
Interest bearing liabilities	18	297,894	153,759
TOTAL CURRENT LIABILITIES		19,187,915	14,861,158
NON-CURRENT LIABILITIES			
Provisions	17	3,922,440	637,440
Interest bearing liabilities	18	18,533,228	198,444
TOTAL NON-CURRENT LIABILITIES		22,455,668	835,884
TOTAL LIABILITIES		41,643,583	15,697,042
NET ASSETS		70,723,650	34,580,080
SHAREHOLDERS' EQUITY			
Issued capital	19	124,046,624	92,210,311
Non-controlling interests		1,284,953	210,739
Reserves		1,554,908	1,460,596
Accumulated losses		(56,162,835)	(59,301,566)
SHAREHOLDERS' EQUITY		70,723,650	34,580,080

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Note	CONSOLIDATED				
		Issued Capital	Non-Controlling Interests	Option Reserves	Accumulated Losses	Total
		$	$	$	$	$
Balance at 1 July 2017		**92,210,311**	**210,739**	**1,460,596**	**(59,301,566)**	**34,580,080**
Profit for the year		-	3,435,428	-	3,881,468	7,316,896
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**3,435,428**	**-**	**3,881,468**	**7,316,896**
Transactions with owners, recognised directly in equity						
Issue of equity instruments		33,179,718	-	-	-	33,179,718
Share based payments		-	-	94,312	-	94,312
Capital raising costs		(1,343,405)	-	-	-	(1,343,405)
Distributions to minority equity unitholders		-	(2,150,475)	-	-	(2,150,475)
Dividends paid		-	-	-	(742,737)	(742,737)
Acquisition of a subsidiary		-	(210,739)	-	-	(210,739)
Balance at 30 June 2018		**124,046,624**	**1,284,953**	**1,554,908**	**(56,162,835)**	**70,723,650**
Balance at 1 July 2016		**63,255,851**	**-**	**1,393,418**	**(58,632,328)**	**6,016,941**
Profit/(Loss) for the year		-	834,854	-	(669,238)	165,616
Other comprehensive income		-	-	-	-	-
Total comprehensive income / (loss) for the year		**-**	**834,854**	**-**	**(669,238)**	**165,616**
Transactions with owners, recognised directly in equity						
Issue of equity instruments		32,486,137	-	-	-	32,486,137
Share based payments		-	-	67,178	-	67,178
Capital raising costs		(3,531,677)	-	-	-	(3,531,677)
Distributions to minority equity unitholders		-	(834,854)	-	-	(834,854)
Acquisition of a subsidiary		-	210,739	-	-	210,739
Balance at 30 June 2017		**92,210,311**	**210,739**	**1,460,596**	**(59,301,566)**	**34,580,080**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2018

	Note	CONSOLIDATED 2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		71,393,271	18,206,076
Payments to suppliers and employees		(61,153,767)	(15,252,984)
Payments for acquisition transaction costs		(1,857,820)	(2,294,495)
Interest received		128,513	39,864
Interest paid		(927,804)	(96,015)
Income tax paid		(225,288)	-
Net cash from operating activities	8b	**7,357,105**	**602,446**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisitions (including earn out consideration), net of cash acquired		(45,684,752)	(19,290,645)
Payments for asset purchases		(2,821,997)	(409,443)
Payments for investments		(1,015,370)	-
Net cash used in investing activities		**(49,522,119)**	**(19,700,088)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments		29,678,634	30,329,999
Capital raising costs		(1,919,330)	(4,837,812)
Proceeds from share options		539,480	42,000
Borrowing costs		-	(161,846)
Proceeds from borrowings		23,582,465	-
Repayment of borrowings		(5,103,546)	(150,803)
Distributions and loans to non-controlling interest holders		(4,981,039)	(403,292)
Dividends paid		(686,739)	-
Net cash from financing activities		**41,109,925**	**24,818,246**
Net (decrease)/increase in cash and cash equivalents		(1,055,089)	5,720,604
Cash and cash equivalents at the beginning of the financial year		7,719,794	1,999,190
Cash and cash equivalents at the end of the financial year	8a	**6,664,705**	**7,719,794**

The accompanying notes form part of these consolidated financial statements

These consolidated financial statements cover Zenitas Healthcare Limited ("the Company" or the "Parent") and its controlled entities as a consolidated entity (also referred to as "the Group"). Zenitas Healthcare Limited is a company limited by shares, incorporated and domiciled in Australia. The registered address of the Company is Level 2, 391 St Kilda Road, Melbourne Victoria 3004. The Group is a for-profit entity. The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for investment properties, land and buildings classified as property, plant and equipment, derivative financial instruments, available-for-sale (AFS) financial assets, contingent consideration and non-cash distribution liability that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar amount, except when otherwise indicated.

Compliance with International Financial Reporting Standards (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 23.

c) Going concern

The Directors believe the Group will continue as a going concern and meet its debts and commitments as and when they fall due. The directors have taken into account cash flow forecasts for the period to 30 June 2018, the available cash reserves, debt funding available of $6.5 million (refer Note 22) and the positive cash contribution from the businesses it has acquired during the period.

d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2018. Control is achieved when a company in the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

d) Basis of Consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recognises any surplus or deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

e) Operating segment

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

f) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

f) Business combination and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose 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 has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

g) Provisional basis

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.

h) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

i) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Board analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group’s accounting policies. For this analysis, the Board verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The board, in conjunction with the Group’s external valuers when engaged, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

j) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

j) Taxes (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Tax consolidation legislation

Zenitas Healthcare Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 April 2016.

The head entity, Zenitas Healthcare Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Zenitas Healthcare Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

j) Taxes (continued)

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

k) Plant and equipment

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Leasehold improvements	10 years or the lease term
Plant and equipment	5 – 7 years
Other assets	3 – 4 years

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

l) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

l) Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

n) Financial Instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the assets or liability, assuming the market participants acts in their economic best interests.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

ii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss through the amortisation process and when the financial liability is derecognised.

Derivative instruments

The Group does not trade or hold derivatives.

Financial guarantees

The Group has no material financial guarantees.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

n) Financial Instruments (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

o) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income (OCI). For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

p) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control.

Investments in associates are accounted for in the Financial Statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

q) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Other intangible assets such as customer contracts acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the intangible assets, ranging from three to five years.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

r) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

s) Revenue

Revenue is recognised at the fair value of consideration received or receivable on an accruals basis.

Trading revenue includes all revenue derived from the rendering of health-related services once the services have been performed and completed by the Company including:

- Patient fees in relation to services provided by employee clinicians of the Group;
- Service fees charged to contractor clinicians of the Group;
- Fees charged to clients in respect of home care support services provided by the Group;
- Rent from the sub-lease of medical centre premises to other health-related service providers, including pathology and allied health service providers; and
- Government incentives payments received.

Other income includes all other income received or receivable, including administration charges to non-related medical clinics.

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the statement of financial position as a receivable.

t) 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

u) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

v) Share-based payments

Equity-settled and cash-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. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

The cost of equity-settled transactions is 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.

v) Share-based payments (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.

- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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 to earnings per share (further details are given in Note 7).

w) Significant accounting estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Contingent consideration

The deferred consideration as at acquisition date is calculated on a probability weighted basis of overperforming or underperforming forecast FY18 and /or FY19 EBITDA. The probability is based on estimates from management on the likelihood of earnings performance based on current performance.

w) Significant accounting estimates and assumptions (continued)

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Share-based transactions

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a Black-Scholes option pricing model for the share option granted. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 20.

Recovery of deferred taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimation of useful lives of assets

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

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer further to Note 15.

x) New Accounting Standards for Application in Future Periods

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective.

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Impact on Group Financial Report	Application Date of Group
AASB 15 Revenue from Contracts with Customers	The Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	1 January 2018	No material impact envisaged.	1 July 2018
AASB 9 Financial Instruments	This Standard replaces all previous versions of AASB 9. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets etc.	1 January 2018	No material impact envisaged	1 July 2018
AASB 16 Leases	The Standard replaces AASB 17 "Leases" and for lessees will eliminate the classification of operating leases and finance leases.	1 January 2019	Given the number of leases the Group has on hand with its properties, there will be a material impact on the financial statements. The operating leases will no longer be off the balance sheet and will instead be recognised on the balance sheet. A right of use asset and lease liability will be recognised, initially measured at the present value of the unavoidable payments. The estimated impact is the recognition of a lease liability of $68m with a similar right of use asset. The Group will adopt AASB 16 from 1 July 2019 and will report under the new standard in the 30 June 2020 annual financial report.	1 July 2019

The Group has decided not to early adopt any of the new and amended pronouncements.

NOTE 2: REVENUE AND OTHER INCOME

	CONSOLIDATED	
	2018	2017
Revenue	$	$
Rendering of services	75,840,851	22,070,020
Other Income		
Other income	721,735	326,630
Other Income	**721,735**	**326,630**
Revenue	**76,562,586**	**22,396,650**
Finance income		
Interest received from non-related parties	128,513	39,864

NOTE 3: PROFIT/ (LOSS) FOR THE YEAR

	CONSOLIDATED	
	2018	2017
	$	$
Profit / (Loss) before income tax from continuing operations includes the following specific expenses:		
Included in employee benefits expenses:		
Directors fees	174,911	409,131
Wages and salaries	42,571,422	10,501,270
Modern Medical earn out amount attributable to Dr Todd Cameron as remuneration	-	382,809
Superannuation	2,403,707	814,250
Share-based payment expense	94,312	67,178
Total employee benefits expenses	**45,244,352**	**12,174,638**
Included in Depreciation and amortisation expenses:		
Depreciation Plant and equipment	620,925	315,734
Depreciation Leasehold improvements	365,682	152,779
Depreciation Motor vehicles	84,035	4,065
Amortisation Option fee	114,581	293,749
Amortisation Other assets	83,037	24,072
Amortisation Intangible assets	383,270	-
Total Depreciation and amortisation expenses	**1,651,530**	**790,399**

NOTE 4: INCOME TAX

	CONSOLIDATED	
	2018 $	2017 $
(a) Income tax expense		
Current tax	2,447,503	-
Deferred tax	(158,985)	(229,659)
	2,288,518	**(229,659)**
(b) Prima facie tax payable		
The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on loss before income tax at 30%	2,881,624	(19,213)
Add / (Less) Tax effect of:		
- Income attributable to minority interests	(538,458)	(250,458)
- Legal fees	-	334,905
- Acquisition costs	226,637	156,962
- Amortisation of Option Fees	-	88,125
- Non-assessable income	(150,000)	-
- Amortisation of customer contracts	114,767	-
- Capitalised business related costs: tax deductible	(29,582)	(338,622)
- Share-based payments	28,294	27,281
- Other	(2,094)	(10,905)
- Recognition of (DTA)/DTL	(242,670)	(217,734)
Income tax attributable to operating profit/(loss)	**2,288,518**	**(229,659)**
(c) Current tax liability		
Current tax liability	2,130,585	-
	2,130,585	**-**
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred Tax Assets balance comprises:		
Accruals	371,689	196,886
Provisions - Annual & Long Service Leave	947,602	445,195
Provisions - Other	29,186	25,635
Property, plant & equipment	(25,804)	5,073
Capital Raising Costs	1,512,583	1,306,135
Business Related Costs	-	92
Tax Losses	-	6,125
Other	(95,414)	-
	2,739,842	**1,985,141**
Deferred Tax Liabilities balance comprises:		
Nil	-	-
Net Deferred Tax	**2,739,842**	**1,985,141**
(e) Deferred income tax revenue included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(158,985)	(11,925)
Adjust for derecognition of DTA/DTL	-	(217,734)
	(158,985)	**(229,659)**

NOTE 4: INCOME TAX (continued)

	CONSOLIDATED	
	2018	2017
(f) Deferred tax assets not brought to account:		
Tax losses	-	220,377
	-	220,377
The applicable weighted average effective tax rates are as follows:	30%	30%
Balance of franking account at year end	746,532	Nil

The company has recognised tax losses incurred in prior years in the current financial year.

Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Zenitas Healthcare Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 April 2016. Zenitas Healthcare Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

NOTE 5: KEY MANAGEMENT PERSONNEL

	CONSOLIDATED	
	2018	2017
	$	$
The totals of remuneration paid to KMP during the year are as follows:		
Short-term employee benefits	756,977	678,640
Post-employment benefits	45,049	34,166
Equity Settled	94,312	67,178
Total KMP Compensation	**896,338**	**779,984**

NOTE 5: KEY MANAGEMENT PERSONNEL (continued)

Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the group's key management personnel:

- Transaction advisory fees of $1,569,335 and reimbursement of travel and incidental expenses of $29,547 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Project identification and management fees of $240,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Acquisition due diligence fees of $66,000 paid to Dr Todd Cameron.

During the reporting period, no loans were made to the Company from KMP or from the Company to KMP.

NOTE 6: AUDITOR'S REMUNERATION

The auditor of Zenitas Healthcare Limited is RSM Australia Partners and were appointed on 19 May 2017.

	CONSOLIDATED	
	2018 $	2017 $
Auditing or reviewing the financial reports		
Ernst & Young	-	105,000
RSM Australia Partners		-
- Auditing or reviewing the financial reports	173,500	130,000
- Taxation services	64,600	-
Total	**238,100**	**235,000**

NOTE 7: EARNINGS PER SHARE

	CONSOLIDATED	
	2018 $	2017 $
Earnings/(loss) per share	6.1 cents	(0.4) cents
Diluted earnings/(loss) per share	6.0 cents	(0.4) cents
Proft/(Loss) used in calculation of basic EPS	3,881,468	(669,238)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	63,693,628	167,287,699
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings per share	64,629,340	167,287,699

The weighted average number of ordinary shares used in the calculation of loss per share for the year ending 30 June 2017 has been adjusted for the share consolidation completed by the company on 30 December 2016. Diluted loss per share has not been calculated as any option outstanding at 30 June 2017 will not be anti-dilutive.

NOTE 8: CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2018	2017
	$	$
Cash and Cash Equivalents		
Cash at bank	6,664,705	7,719,794
(a) Total cash and cash equivalents in the statement of cash flows	6,664,705	7,719,794

Cash at banks earn interest at floating rates based on daily bank deposit rates.

At 30 June 2018, the Group had available $6.5m (2017: $15.8m) of available undrawn committed borrowing facilities.

	CONSOLIDATED	
	2018	2017
Cash flow reconciliation	$	$
(b) Reconciliation of net profit after tax to net cash flows from operations:		
Profit after income tax from continuing operations	7,316,896	165,616
Adjustments to reconcile profit after tax to net cash flows:		
Depreciation of property, plant and equipment	1,070,642	496,650
Share based payment expense	94,312	67,178
Disposal of plant and equipment	290,211	-
Amortisation of intangible assets and other assets	580,888	293,749
Changes in assets and liabilities		
(Increase) in trade and other receivables	(5,169,315)	(3,863,945)
(Increase) in inventory	(157,976)	(51,466)
(Increase) in other assets	(322,625)	(186,602)
Decrease/(Increase) in deferred tax asset	146,606	(1,535,794)
Increase in trade and other payables	1,615,610	4,457,558
Increase in current tax provision	2,130,585	-
(Decrease)/Increase in provisions	(238,729)	759,502
Cash flow from operations	7,357,105	602,446

Credit Standby Facilities

The Group has no credit standby facilities.

Non-Cash Investing and Financing Activities

Pursuant to the Share Sale Agreement with the vendors of Dimple Group Holdings Pty Ltd, 2,703,030 fully paid ordinary shares were issued at $0.99 per share on 28 August 2017.

Pursuant to the Option Deed with the vendors of Modern Medical Craigieburn, 189,981 fully paid ordinary shares were issued at $1.218 per share on 20 February 2018.

NOTE 9: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2018	2017
	$	$
Trade and Other Receivables - Current		
Trade receivables	5,720,558	2,743,365
Less: Provision for impairment of receivables	(179,735)	(167,190)
	5,540,823	2,576,175
Other receivables	7,062,568	1,341,471
	12,603,391	3,917,646

(a) Impaired Trade receivables

The ageing of the impaired receivables provided for above are as follows:

	CONSOLIDATED	
	2018	2017
	$	$
0 to 3 months overdue	9,826	-
3 to 6 months overdue	51,344	92,190
Over 6 months overdue	118,565	75,000
	179,735	167,190

Impairment of receivables

Movements in the provision for impairment of receivables are as follows:

	CONSOLIDATED	
	2018	2017
	$	$
Opening balance	(167,190)	-
Additional provisions recognised	(62,499)	(167,190)
Receivables written off during the year as uncollectable	49,954	-
Closing Balance	(179,735)	(167,190)

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $5,720,558 as at 30 June 2018 ($2,743,365 as at 30 June 2017).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The aging of past due but not impaired trade receivables provided for above are as follows:

	CONSOLIDATED	
	2018	2017
	$	$
0 to 3 months overdue	4,993,867	2,102,694
3 to 6 months overdue	726,691	640,671
Over 6 months overdue	-	-
	5,720,558	2,743,365

NOTE 10: OTHER ASSETS

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Prepaid expenses	674,375	426,847
Deposits paid	57,599	64,648
	731,974	**491,495**

NOTE 11: PLANT AND EQUIPMENT

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Leasehold improvements – at cost	3,476,407	1,220,589
Less: Accumulated depreciation	(1,030,769)	(120,302)
	2,445,638	**1,100,287**
Plant and equipment – at cost	5,523,321	1,900,588
Less: Accumulated depreciation	(2,283,936)	(259,493)
	3,239,385	**1,641,095**
Motor Vehicles – at cost	330,101	745,872
Less: Accumulated depreciation	(79,301)	(135,235)
	250,800	**610,637**
	5,935,823	3,352,019

	Leasehold Improvements $	Plant and Equipment $	Motor Vehicles $	Total $
Balance at 1 July 2016	298,429	212,394	-	510,823
Additions	240,520	161,388	-	401,908
Acquisitions through business combinations	746,354	2,146,512	22,500	2,915,366
Disposals	-	-	(3,500)	(3,500)
Depreciation expense	(152,779)	(315,734)	(4,065)	(472,578)
Balance at 30 June 2017	**1,132,524**	**2,204,560**	**14,935**	**3,352,019**
Additions	1,685,431	941,160	61,430	2,688,021
Acquisitions through business combinations	-	987,044	269,592	1,256,636
Disposals	(6,635)	(272,454)	(11,122)	(290,211)
Depreciation expense	(365,682)	(620,925)	(84,035)	(1,070,642)
Balance at 30 June 2018	**2,445,638**	**3,239,385**	**250,800**	**5,935,823**

Chattel Mortgages

The carrying value of leasehold improvements, plant and equipment and other assets held under chattel mortgages at 30 June 2018 was $375,189 (2017: $382,378).

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED	
	2018	2017
	$	$
Investment in associate – Careseekers Pty Ltd	1,015,370	-
	1,015,370	-

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Country of Incorporation	Percentage Owned	
		2018	2017
Careseekers Pty Ltd	Australia	32%	-

The consolidated entity acquired 32.2% of the shares of Careseekers Pty Ltd on 29 March 2018 for cash consideration of $1,105,370.

NOTE 13: NON-CURRENT PREPAYMENTS

	CONSOLIDATED	
	2018	2017
	$	$
Prepaid Call Options – Modern Medical	500,000	500,000
Less: accumulated amortisation	(456,248)	(341,666)
	43,752	158,334

The Prepaid Call Options relate to providing the Company an exclusive right to acquire the operation of a further four MMG clinics in Victoria. Under an Option Deed the Company agreed to grant the MMG vendors a put option over the clinics and the MMG Vendors agreed to grant a call option to the Company. The Options were granted in two tranches exercisable prior to March 2018 and March 2019 respectively. The exercise price of the Options is dependent on the financial performance of the clinics in the 12-month period prior to them being exercised.

The prepaid cost of the options is being amortised over the option period in respect of each call option and is subject to impairment at each reporting date.

During the year the following occurred:

- The company acquired Modern Medical Craigieburn, therefore the balance of the prepaid call option is fully amortised;
- The Modern Medical Bayswater option lapsed, therefore the balance of the prepaid call option is fully amortised; and
- MMG vendors closed the Modern Medical Wyndham Vale site and accordingly, the balance of the prepaid call option relating to this site has been fully amortised.

The balance at 30 June 2018 relates to the remaining clinic, Modern Medical Hobsons Bay.

NOTE 14: BUSINESS COMBINATIONS

(a) Summary of business combinations during the period

Provisional amounts

As the acquisitions have only recently occurred the numbers presented for Net working capital, Plant and Equipment, Employee entitlements, Deferred Tax Asset, Goodwill on consolidation (including the estimate for vendor earn-out) are presented as provisional amounts pending the completion of the fair valuation of assets acquired and forecasting of earnings for the relevant financial years.

Summary of business combinations during the period:

Purchase consideration	$
Cash	38,943,379
Conditional payment	6,123,987
Shares	2,961,604
	48,028,970

Fair value and carrying value of net assets acquired	
Net working capital	(154,390)
Plant and equipment	1,256,637
Employee entitlements	(1,959,221)
Deferred tax asset	325,382
Other intangible assets	1,474,314
Goodwill on consolidation	47,086,248
	48,028,970

Analysis of cash flow on acquisition	
Consideration of purchase	48,028,970
Conditional payment	(6,123,987)
Equity funding	(2,961,604)
Net outflow of cash	**38,943,379**

Acquisitions between 1 July 2017 and 31 December 2017

Acquisition of majority of shares in NexttCare

On 3 July 2017, the Company acquired 51% of the ordinary shares in NexttCare Pty Ltd ("NexttCare") with a commitment to purchase the remaining 49% of NexttCare in June 2019. The total purchase consideration paid was $15,121,271, including contingent consideration of $5,560,850. The vendors of NexttCare are entitled to earn outs in relation to the financial years ending 30 June 2018 and 2019 at 6.0 times EBITDA growth. The contingent consideration was estimated by calculating the present value of the future expected cash flows. The likely range is anticipated to be between $3 million and $7 million.

The principal activities of NexttCare are the provision of high-value, personalised home care and support services across NSW, Victoria and QLD.

NOTE 14: BUSINESS COMBINATIONS (continued)

(a) Summary of business combinations during the period (continued)

Acquisition of business assets and certain liabilities of Clock Medical Centre

On 1 August 2017, BGD Medical Centres Pty Ltd, a wholly owned subsidiary of the Company, acquired all of the Business Assets and certain liabilities (Assumed Liabilities) of Clock Medical Centre from Medical Management Services Pty Ltd. The total purchase consideration paid was $467,654.

The principal activities of the acquired entity are the provision of general practitioner services, occupational health, pathology services, chronic disease management, travel medicine, skin health and physiotherapy services in Balwyn, Victoria.

Acquisition of business assets and certain liabilities of Thompsons Lake Physiotherapy

On 1 August 2017, Zenitas HNA Trusco Pty Ltd as trustee for the Lifecare Physio (WA) Unit Trust, a subsidiary of the Company, acquired an 80% interest in the Business Assets and certain liabilities (Assumed Liabilities) from Way To Go Physiotherapy Pty Ltd. The total purchase consideration paid was $271,055.

The principal activities of the acquired entity are the provision of physiotherapy and other allied health services in Perth, Western Australia.

Acquisition of 100% of shares in Dimple Group

On 28 August 2017, the Company acquired all of the securities of Dimple Group Holdings Pty Ltd. The total purchase consideration paid was $13,971,408.

The principal activities of the acquired entity are the provision of podiatry services to residents of aged care facilities in Australia.

Acquisition of business assets and certain liabilities of Lifecare Frankston Physiotherapy

On 11 September 2017, Zenitas HNA Trusco Pty Ltd as trustee for the Lifecare Physio (Vic) Unit Trust, a subsidiary of the Company, acquired a 31% interest in the Business Assets and certain liabilities (Assumed Liabilities) from Lifecare Frankston Pty Ltd. The Company has entered into an agreement to purchase a further 30% interest in the business by June 2019. The total purchase consideration paid was $522,575.

The principal activities of the acquired entity are the provision of physiotherapy and other allied health services in Frankston, Victoria.

Acquisition of 100% of shares in Comrec

On 17 November 2017, the Company acquired all of the securities of Comrec (Australia) Pty Ltd (“Comrec”). The total purchase consideration paid was $1,393,708, including contingent consideration of $285,000. The vendors of Comrec are entitled to an earn out in relation to the financial year ending 30 June 2018 of 4.0 times FY18 EBITDA growth. The contingent consideration was estimated by calculating the present value of the future expected cash flows. The likely range is anticipated to be between $0.1 million and $0.3 million.

The principal activities of the acquired entity is the provision of disability services including group programs, respite, transport and behaviour support services in South Australia.

NOTE 14: BUSINESS COMBINATIONS (continued)

(a) Summary of business combinations during the period (continued)

Purchase consideration ($)	NexttCare	Clock Medical	Thompson's Lake Physio	Dimple	Lifecare Frankston	Comrec	Total $
Cash	9,560,421	467,654	173,475	11,295,408	522,575	1,108,708	23,128,241
Conditional payment	5,560,850	-	43,369	-	-	285,000	5,889,219
Shares/Units	-	-	54,211	2,676,000	-	-	2,730,211
Total	15,121,271	467,654	271,055	13,971,408	522,575	1,393,708	31,747,671

Fair value and carrying value of net assets acquired ($)	NexttCare	Clock Medical	Thompson's Lake Physio	Dimple	Lifecare Frankston	Comrec	Total $
Net working capital	(588,343)	(15,129)	(3,199)	634,606	118,256	(223,706)	(77,515)
Plant and equipment	35,964	154,205	48,065	212,786	43,079	357,032	851,131
Employee entitlements	(87,107)	(25,516)	-	(517,606)	(53,326)	(646,593)	(1,330,148)
Deferred tax asset	-	7,655	-	151,654	15,998	-	175,307
Other intangible assets	654,015	-	-	687,570	-	-	1,341,585
Goodwill on consolidation	15,106,742	346,439	226,189	12,802,398	398,568	1,906,975	30,787,311
Total	15,121,271	467,654	271,055	13,971,408	522,575	1,393,708	31,747,671

Analysis of cash flow on acquisition ($)	NexttCare	Clock Medical	Thompson's Lake Physio	Dimple	Lifecare Frankston	Comrec	Total $
Consideration of purchase	15,121,271	467,654	271,055	13,971,408	522,575	1,393,708	31,747,671
Conditional payment	(5,560,850)	-	(43,369)	-	-	(285,000)	(5,889,219)
Equity funding	-	-	(54,211)	(2,676,000)	-	-	(2,730,211)
Net outflow of cash	9,560,421	467,654	173,475	11,295,408	522,575	1,108,708	23,128,241

NOTE 14: BUSINESS COMBINATIONS (continued)

(a) Summary of business combinations during the period (continued)

Impact of acquisitions on the result of the Group

The revenue and profit of the Group for the period reflects trading for each business acquired, from the respective acquisition date to 30 June 2018.

AASB 3 Business Combinations requires disclosure of revenue and profit and loss of the acquired entities from date of acquisition, and disclosure of revenue and profit and loss of the consolidated entity for the current reporting period as though the acquisition date for all business combinations had been as of 1 July 2017. However, management have determined this is impracticable after considering the various factors contained within the definitions contained within AASB108 Accounting Policies, Changes in Accounting Estimates and Errors to the pre-acquisition operating environment of each acquisition.

Acquisitions between 1 January 2018 and 30 June 2018

Acquisition of Business Assets and Certain Liabilities of Modern Medical Craigieburn

On 20 February 2018, BGD Medical Centres Pty Ltd, a wholly owned subsidiary of the Company, acquired 100% interest in the business and certain liabilities from Modern Medical Pty Ltd (as trustee for Modern Medical Craigieburn Unit Trust).

The total purchase consideration paid was $1,265,605. This included the issuance of 189,981 fully paid ordinary shares to the vendors at $1.218 per share.

The principal activities of the acquired entity are the provision of general practitioner services in Craigieburn, Victoria.

Acquisition of Business Assets and Certain Liabilities of Peninsula Sports Medicine Group

On 26 February 2018, Zenitas HNA Trusco Pty Ltd as trustee for the LifeCare (Vic) Unit Trust, a wholly owned subsidiary of the Company, acquired an 80% interest in the business assets and certain liabilities (Assumed Liabilities) from vendor Mon More Management and the other sellers.

The total purchase consideration paid was $7,160,303.

The principal activities of the acquired entities are providing sports medicine and physiotherapy services under the trading name 'Peninsula Sports Medicine Group'.

Acquisition of Business Assets and Certain Liabilities of Agewell Physiotherapy

On 29 March 2018, Dimple Physiotherapy Pty Ltd, a wholly owned subsidiary of the Company, acquired all the business assets and certain liabilities from Agewell Physiotherapy Pty Limited.

The total purchase consideration paid was $5,134,538.

The principal activity of the acquired entity is to provide mobile physiotherapy into residential aged care and community care facilities.

Acquisition of Business Assets and Certain Liabilities of Lifecare SportsMed Murdoch

On 1 May 2018, Zenitas HNA Trusco Pty Ltd as trustee for Lifecare Physio (WA) Unit Trust, a wholly owned subsidiary of the Company, acquired all the business and the assets of Lifecare SportsMed Murdoch.

The total purchase consideration paid was $145,439.

The principal activities of the acquired entity are the provision of sports medicine and physiotherapy services in Murdoch, Western Australia.

NOTE 14: BUSINESS COMBINATIONS (continued)

(a) Summary of business combinations during the period (continued)

Acquisition of Business Assets and Certain Liabilities of Lifecare Fremantle Physiotherapy

On 1 June 2018, Zenitas HNA Trusco Pty Ltd as trustee for the LifeCare Physio (WA) Unit Trust, a wholly owned subsidiary of the Company, acquired a 78% interest in the business assets and certain liabilities from Health Networks Australia Pty Ltd as trustee for the Fremantle Unit Trust.

The principal activities of the acquired entity are the operations of Allied Health clinics under the “Lifecare” brand in Fremantle, Western Australia, providing a range of physiotherapy and complementary Allied Health services.

The total purchase consideration paid was $186,823. The vendors of Lifecare Fremantle Physiotherapy are entitled to a payment of 3.0 times the EBITDA growth for the 12 months to 30 September 2018. The payment is uncapped. The contingent consideration was estimated by calculating the present value of the future expected cash flows. The likely range is anticipated to be between $0.1 million and $0.2 million.

Acquisition of Business Assets and Certain Liabilities of Lifecare Joondalup Physiotherapy

On 1 June 2018, Zenitas HNA Trusco Pty Ltd as trustee for the LifeCare Physio (WA) Unit Trust, a wholly owned subsidiary of the Company, acquired a 58% interest in the business assets and certain liabilities from Health Networks Australia Pty Ltd as trustee for the Joondalup Unit Trust.

The principal activities of the acquired entity are the operations of Allied Health clinics under the “Lifecare” brand in Joondalup, Western Australia, providing a range of physiotherapy and complementary Allied Health services.

The total purchase consideration paid was $76,051. The vendors of Lifecare Joondalup Physiotherapy are entitled to a payment of 3.0 times the EBITDA growth for the 12 months to 30 September 2018. The payment is uncapped. The contingent consideration was estimated by calculating the present value of the future expected cash flows. The likely range is anticipated to be below $0.1 million.

Acquisition of Beleura Health Solutions

On 18 June 2018, two clinics (Mornington and Benton Square) were acquired under two separate transactions:

For the Mornington clinic acquisition, Zenitas HNA Pty Ltd, a wholly owned subsidiary of the Company, acquired all of the shares in Grantley No. 10 Pty Limited (which owned the Beleura Mornington business assets and liabilities) from Belben Group Pty Ltd (in its capacity as trustee for the Beleura Group Unit Trust). The business assets and liabilities were simultaneously transferred to Lifecare Physio (VIC) Unit Trust with 80% of the units issued to Zenitas HNA Pty Ltd and the remaining 20% of the units to vendor related entities.

For the Benton Square clinic acquisition, Zenitas HNA Trusco Pty Ltd as trustee for the Lifecare Physio (VIC) Unit Trust), a wholly owned subsidiary of the Company, acquired an 80% interest in the business assets and certain liabilities from Belben Pty Ltd (in its capacity as trustee of the Belben Unit Trust).

The total purchase consideration paid for both clinics was $2,312,540.

The principal activities of the acquired businesses are providing rehabilitation and physiotherapy services under the name 'Beleura Health Solutions’ at the Mornington and Benton Square clinics, Victoria.

NOTE 14: BUSINESS COMBINATIONS (continued)

(a) Summary of business combinations during the period (continued)

Purchase consideration ($)	Modern Medical Craigieburn	Peninsula Sports Medicine Group	Agewell Physiotherapy	Lifecare SportsMed Murdoch	Lifecare Fremantle Physiotherapy	Lifecare Joondalup Physiotherapy	Beleura Health Solutions	Total $
Cash	1,034,212	7,160,303	5,134,538	145,439	14,278	13,828	2,312,540	15,815,138
Conditional payment	-	-	-	-	172,545	62,223	-	234,768
Shares/Units	231,393	-	-	-	-	-	-	231,393
Total	1,265,605	7,160,303	5,134,538	145,439	186,823	76,051	2,312,540	16,281,299

Fair value and carrying value of net assets acquired ($)	Modern Medical Craigieburn	Peninsula Sports Medicine Group	Agewell Physiotherapy	Lifecare SportsMed Murdoch	Lifecare Fremantle Physiotherapy	Lifecare Joondalup Physiotherapy	Beleura Health Solutions	Total $
Net working capital	(164,531)	92,748	(39,819)	20,491	2,729	2,154	9,353	(76,875)
Plant and equipment	-	246,697	-	12,934	106,319	20,903	18,653	405,506
Employee entitlements	(21,903)	(94,899)	(325,122)	(13,881)	(21,606)	(12,138)	(139,524)	(629,073)
Deferred tax asset	6,571	28,470	97,537	4,164	6,482	3,641	3,210	150,075
Other intangible assets	-	-	132,729	-	-	-	-	132,729
Goodwill on consolidation	1,445,468	6,887,287	5,269,213	121,731	92,899	61,491	2,420,848	16,298,937
Total	1,265,605	7,160,303	5,134,538	145,439	186,823	76,051	2,312,540	16,281,299

Analysis of cash flow on acquisition ($)	Modern Medical Craigieburn	Peninsula Sports Medicine Group	Agewell Physiotherapy	Lifecare SportsMed Murdoch	Lifecare Fremantle Physiotherapy	Lifecare Joondalup Physiotherapy	Beleura Health Solutions	Total $
Consideration of purchase	1,265,605	7,160,303	5,134,538	145,439	186,823	76,051	2,312,540	16,281,299
Conditional payment	-	-	-	-	(172,545)	(62,223)	-	(234,768)
Equity funding	(231,393)	-	-	-	-	-	-	(231,393)
Net outflow of cash	1,034,212	7,160,303	5,134,538	145,439	14,278	13,828	2,312,540	15,815,138

NOTE 14: BUSINESS COMBINATIONS (continued)

(a) Summary of business combinations during the period (continued)

Impact of acquisitions on the result of the Group

The revenue and profit of the Group for the period reflects trading for each business acquired, from the respective acquisition date to 30 June 2018.

AASB 3 Business Combinations requires disclosure of revenue and profit and loss of the acquired entities from date of acquisition, and disclosure of revenue and profit and loss of the consolidated entity for the current reporting period as though the acquisition date for all business combinations had been as of 1 July 2017. However, management have determined this is impracticable after considering the various factors contained within the definitions contained within AASB108 Accounting Policies, Changes in Accounting Estimates and Errors to the pre-acquisition operating environment of each acquisition.

(b) Prior Period Business Combination Provisional Amounts Finalised

At 30 June 2017 the amounts presented for Net working capital, Plant and Equipment, Employee entitlements, Deferred Tax Asset, Goodwill on consolidation (including the estimate of vendor earn out) were presented as provisional amounts for the business combination of HNA, Ontrac, Caring Choice, Dandenong Medical Centre, St Kilda Road Medical Centre, Backfocus, Belair Medical Centre, City Skin and Caroline Springs Physiotherapy clinic. The amounts were finalised and resulted in an increase to goodwill of $1.5m which consisted mainly of:

- $0.8m working capital adjustments ($0.7m relating to HNA) arising from finalising items such as trade debtors and accruals that existed at acquisition date;
- $0.5m cash consideration adjustments ($0.4m relating to HNA) to account for terms in contracts that existed at acquisition date; and
- $0.2m plant and equipment adjustments ($0.2m relating to Ontrac) after an assessment of fair values.

The acquisition accounting for these purchases is now finalised and the adjustments are:

NOTE 14: BUSINESS COMBINATIONS (continued)

(b) Prior Period Business Combination Provisional Amounts Finalised (continued)

Purchase consideration ($)	HNA	Ontrac	Caring Choice	St Kilda Road Medical	Dandenong Medical Centre	Backfocus	Belair	City Skin	Caroline Springs Physio	Total $
Cash	10,042,860	3,375,799	2,183,087	1,886,026	520,177	980,397	224,122	202,611	343,849	19,758,928
Conditional payment	6,618,517	-	-	-	-	-	-	138,467	217,615	6,974,599
Shares/Units	1,349,998	179,912	-	-	146,569	71,686	-	135,073	240,627	2,123,865
Total	18,011,375	3,555,711	2,183,087	1,886,026	666,746	1,052,083	224,122	476,151	802,091	28,857,392

Fair value and carrying value of net assets acquired ($)	HNA	Ontrac	Caring Choice	St Kilda Road Medical	Dandenong Medical Centre	Backfocus	Belair	City Skin	Caroline Springs Physio	Total $
Net working capital	(346,382)	(12,752)	(68,070)	9,577	-	54,966	(26,447)	57,062	13,398	(318,648)
Plant and equipment	1,601,377	550,891	57,539	258,616	10,701	50,191	-	2,700	139,530	2,671,545
Employee entitlements	(985,951)	(45,431)	(363,291)	(65,623)	(38,156)	(134,873)	(43,394)	-	-	(1,676,719)
Deferred tax asset	295,785	13,629	108,987	19,687	11,447	40,462	16,584	-	-	506,581
Goodwill on consolidation	17,446,546	3,049,374	2,447,922	1,663,769	682,754	1,041,337	277,379	416,389	649,163	27,674,633
Total	18,011,375	3,555,711	2,183,087	1,886,026	666,746	1,052,083	224,122	476,151	802,091	28,857,392

Analysis of cash flow on acquisition ($)	HNA	Ontrac	Caring Choice	St Kilda Road Medical	Dandenong Medical Centre	Backfocus	Belair	City Skin	Caroline Springs Physio	Total $
Consideration of purchase	18,011,375	3,555,711	2,183,087	1,886,026	666,746	1,052,083	224,122	476,151	802,091	28,857,392
Conditional payment	(6,618,517)	-	-	-	-	-	-	(138,467)	(217,615)	(6,974,599)
Equity funding	(1,349,998)	(179,912)	-	-	(146,569)	(71,686)	-	(135,073)	(240,627)	(2,123,865)
Net outflow of cash	10,042,860	3,375,799	2,183,087	1,886,026	520,177	980,397	224,122	202,611	343,849	19,758,928

NOTE 15: INTANGIBLE ASSETS

	CONSOLIDATED 2018 $	2017 $
Goodwill on acquisition	80,719,008	32,121,430
Less: Impairment	-	-
	80,719,008	32,121,430
Customer contracts	1,474,314	-
Less: accumulated amortisation	(382,557)	-
	1,091,757	
Other intangible assets	133,974	-
Less: accumulated amortisation	(713)	-
	133,261	-
	81,944,026	32,121,430

	Note	Goodwill $	Customer Contracts $	Other intangible assets $	Total $
Balance at 1 July 2016		5,669,556	-	-	5,669,556
Additions through business combinations		26,451,874	-	-	26,451,874
Balance at 30 June 2017		32,121,430	-	-	32,121,430
Acquisitions through business combinations		47,086,248	1,474,314	-	48,560,562
Additions		-		133,974	133,974
Adjustments to provisional goodwill on acquisition		1,511,330	-	-	1,511,330
Amortisation expense		-	(382,557)	(713)	(383,270)
Balance at 30 June 2018	18	80,719,008	1,091,757	133,261	81,944,026

Refer to Note 14 for details of goodwill acquired from business combinations.

NOTE 15: INTANGIBLE ASSETS (continued)

Impairment testing
Goodwill acquired through business combinations have been allocated to the following cash-generating units ("CGU"):

	CONSOLIDATED	
	2018	2017
	$	$
Primary Care	10,790,350	8,809,529
Allied Health	32,395,408	20,903,114
Mobile Allied Health	18,071,611	-
Home Care	4,354,897	2,408,787
NexttCare	15,106,742	-
	80,719,008	32,121,430

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, with cash flow projections based on financial forecasts approved by senior management covering a five-year period.

As a result of the recoverable amount analysis performed, there is headroom for all CGUs and the Group did not identify any impairment for the year ended 30 June 2018 (2017: nil).

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model:

(a) Discount rates represent the current market specific to each CGU taking into consideration the time value of money and individual risks that have not been incorporated in the cash flow estimates. The discount rate calculation is based on specific circumstances of the Group and the CGU and is derived from its weighted average cost of capital ('WACC'). The WACC is evaluated annually based on publicly available market data. The pre-tax discount rate of between 8.3%-10.3% was used; and
(b) Growth rates estimates are based on internal and industry research and publicly available market data. The rates were used to extrapolate the cash flows beyond the budget period. The following rates were used: 7.5% per annum projected revenue growth rate and 6.0-7.0% per annum increase in operating costs and overheads.

Sensitivity
As disclosed in note 1, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. Management believes that there is no reasonable possible change in the key assumptions used to determine the recoverable amount of the CGUs that would result in impairment.

NOTE 16: TRADE AND OTHER PAYABLES

	CONSOLIDATED 2018 $	2017 $
Trade and Other Payables		
Current		
Trade payables and accruals	10,116,181	5,942,677
Unearned income	454,280	393,853
	10,570,461	6,336,530

Terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Unearned revenue relates to prepaid pilates and physiotherapy treatment revenue and sub-lease rental income received in advance.

NOTE 17: PROVISIONS

	CONSOLIDATED 2018 $	2017 $
Provisions		
Current		
Employee benefits	3,141,542	1,409,584
Earn-out provision	3,007,647	6,741,375
Other provisions	39,786	219,910
	6,188,975	8,370,869
Provisions		
Non-Current		
Employee benefits	403,725	255,265
Earn-out provision	3,116,341	-
Lease make-good provision	138,843	70,000
Operating lease liability provision	263,531	312,175
	3,922,440	637,440

Earn-out provision

Refer further to Note 14 for details of the earn-out provision.

	CONSOLIDATED 2018 $	2017 $
Opening balance	6,741,375	239,042
Earn out amounts paid during the period	(6,741,375)	-
Provision recognised for acquisitions during the period	6,123,987	6,614,659
Other movements during the period	-	(112,326)
	6,123,987	6,741,375

NOTE 17: PROVISIONS (continued)

Lease make-good provision

A provision has been recognised in relation to the obligations of the Group under property leases to restore leasehold property to a specified condition level at the end of the respective leases.

Operating lease liability provision

A provision has been recognised for the fact that the agreed lease payments on certain operating lease were significantly lower for an agreed period. The provision has been calculated based on the difference between the market rate and the actual rate paid.

NOTE 18: INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2018	2017
	$	$
Current interest-bearing loans and borrowings		
Secured:		
Chattel mortgages	158,858	153,759
Equipment facility	139,036	-
Total current interest-bearing loans and borrowings	**297,894**	**153,759**
Non-current interest-bearing loans and borrowings		
Secured:		
Chattel mortgages	48,708	198,444
Equipment facility	484,520	-
Bank Bill Business loans	18,000,000	-
Total non-current interest-bearing loans and borrowings	**18,533,228**	**198,444**
Total interest-bearing loans and borrowings	**18,831,122**	**352,203**

Chattel mortgage commitments

The Group has entered into chattel mortgage contracts for various items of plant and medical equipment. The Group's obligations under chattel mortgages are secured by the lessor's title to the leased assets.

Hire purchase commitments

The Group has entered into hire purchase contracts for fitouts of medical and physiotherapy clinics and for motor vehicles. The Group's obligations under hire purchase agreements are secured by the lessor's title to the leased assets.

NOTE 18: INTEREST BEARING LIABILITIES (continued)

Debt Facility Agreements

On 23 August 2017, the Company entered into a binding agreement with Westpac Banking Corporation (Westpac) in relation to the provision of debt funding (Debt Facilities). The aggregate facility limit under the Debt Facilities is $26,250,000.

The Debt Facilities consist of:

- Bank Bill Business Loans of $23 million to fund the initial purchase price of acquisitions and vendor deferred consideration;
- Revolving Equipment Finance facility of $1 million for capital expenditure requirements;
- Bank Guarantee facility of $1.25 million to fund property rental bond requirements; and
- Other Working Capital facilities totaling $1 million.

The key terms of the Debt Facilities are summarised below.

Security

The Debt Facilities are secured by general security arrangements in relation to the current and future assets of the Company and each subsidiary, security over the Company's shareholding and unitholding in each intermediate holding company or trust and subordination of intercompany and shareholder debt, and interlocking guarantees.

Expiry

The Bank Bill Business Loans and the Bank Guarantee facility expire 3 years from the date of drawdown and the Revolving Equipment Finance facility expires 5 years from the date of drawdown.

Undertakings and financial covenants

The Debt Facility agreements contain undertakings from the Company that are customary for a facility of this nature, including:

- not allowing any encumbrance over, or disposing of, the Company's assets, without prior consent;
- other than in the ordinary course of business, not permitting further financial indebtedness to be incurred by the Company; and
- financial covenants relating to interest coverage, balance sheet leverage and minimum equity requirements of the Group.

The Group was in compliance with all undertakings and financial covenants for the year ended 30 June 2018.

NOTE 19: ISSUED CAPITAL AND RESERVES

		CONSOLIDATED	
		2018	2018
Date	Details	Shares	$
1-Jul-17	Opening balance	44,776,679	92,210,311
28-Aug-17	Share issue - Vendor consideration	2,703,030	2,676,000
8-Sep-17	Share issue - conversion of options exercised	208,682	148,999
10-Oct-17	Share issue - conversion of options exercised	10,504	7,500
9-Nov-17	Share issue - Placement	7,967,185	9,162,263
9-Nov-17	Share issue - Institutional Entitlement Offer	6,294,553	7,238,736
21-Nov-17	Share issue - Retail Entitlement Offer	7,645,840	8,792,716
21-Nov-17	Share issue - Placement	3,947,066	4,539,126
6-Dec-17	Share issue - conversion of options exercised	1,400	952
1-Feb-18	Share issue - conversion of options exercised	1,400	952
6-Feb-18	Share issue - conversion of options exercised	43,626	29,665
12-Feb-18	Share issue - conversion of options exercised	457,281	310,960
19-Feb-18	Share issue - conversion of options exercised	26,400	17,952
20-Feb-18	Share issue - Vendor consideration	189,981	231,397
6-Jun-18	Share issue - conversion of options exercised	31,512	22,500
30-Jun-18	Share issue costs, net of tax	-	(1,343,405)
30-Jun-18	Closing balance	74,305,139	124,046,624

		CONSOLIDATED	
		2017	2017
Date	Details	Shares	$
1-Jul-16	Opening balance	12,216,408	63,255,851
30-Dec-16	Share Issue – General placement	30,000,000	30,000,000
30-Dec-16	Share Issue – Vendor consideration	2,027,243	1,956,479
30-Dec-16	Share Issue costs	-	(3,531,677)
18-Jan-17	Share Issue – conversion of options exercised	14,005	9,999
9-Feb-17	Share Issue – conversion of options exercised	56,022	40,000
13-Apr-17	Share Issue – Vendor consideration	463,001	479,659
30-Jun-17	Closing balance	44,776,679	92,210,311

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

Capital raising

During the period the Company undertook a capital raising of $29.7m via a fully underwritten institutional placement and entitlement offer, issuing 25,854,644 shares at an issue price of $1.15 per share on 9 November and 21 November 2017.

NOTE 19: ISSUED CAPITAL AND RESERVES (continued)

Share issues as vendor consideration

The Company issued 2,703,030 ordinary shares as partial consideration for the acquisition of Dimple Group Holdings Pty Ltd at an issue price of $0.99 per share on 28 August 2017.

The Company issued 189,981 ordinary shares as partial consideration for the acquisition of Modern Medical Craigieburn at an issue price of $1.218 per share on 20 February 2018.

Capital management

The Directors' capital management objectives are to ensure the Company continues as a going concern, maintains optimal returns to shareholders and to obtain the lowest cost of capital available to the Company. The Directors are constantly monitoring the Company's capital requirements and capital structure to take advantage of favourable opportunities for raising capital. The Directors have no current plans to issue further shares or options on the market unless the Company completes a further business acquisition. The Directors monitor capital through the leverage ratio (defined as net debt divided by EBITDA). The target leverage ratio is below 2.0 times.

The leverage ratio for the year ended 30 June 2018 was 1.0 times. The leverage ratio for the year ended 30 June 2017 has not been disclosed because the Company was in a net cash position as at 30 June 2017.

The Group is subject to leverage and equity ratio financial covenants under its Debt Facility Arrangements - refer to Note 18 for further details.

NOTE 20: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2018:

On 14 April 2016, 84,032 options exercisable at $1.00 per option were granted to the Chief Executive Officer, Mr. Justin Walter as a Long-Term Incentive. The options were valued under the Black-Scholes option pricing model. The terms of the issue of these options were as follows:

- 42,016 options vested immediately
- 42,016 options vested on 14 April 2017.

On 28 December 2016, 400,000 options exercisable at $1.00 per option were granted to the Chairman, Mr. Shane Tanner as a Long Term Incentive. The options were valued under the Black-Scholes option pricing model. The terms of the issue of these options were as follows:

- 200,000 options vest when the EBITDA for the Group in any financial year is $10.0 million or more;
- 200,000 options vest when the EBITDA for the Group in any financial year is $13.5 million or more; and
- any unvested options lapse if Mr Tanner ceases to be a director of Zenitas prior to these hurdles being satisfied.

The share-based payment expense recognised in the profit and loss statement for the year ended 30 June 2018 was $94,312.

The expense recognised for employee services received during the year is shown below:

	2018 $	2017 $
Share based payment expense recognised in the profit and loss	94,312	67,178

NOTE 20: SHARE BASED PAYMENTS (continued)

A summary of the movements of all company options issued is as follows:

	2018 Options	2018 WAEP	2017 Options	2017 WAEP
Outstanding at 1 July	1,772,539	0.785	1,442,566	$0.079
Granted during the year	-	-	400,000	$1.000
Forfeited during the year	-	-	-	-
Exercised during the year	(780,805)	0.691	(70,027)	$0.714
Outstanding at 30 June 2018	**991,734**	**0.841**	**1,772,539**	**$0.785**
Exercisable at 30 June 2018	**791,734**	**0.801**	**1,372,539**	**$0.723**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2018 was 0.69 years (2017: 1.35 years).

The range of exercise prices for options outstanding at the end of the year was $0.714 to $1.00.

These values were calculated using the Black-Scholes option pricing model applying the following inputs:

	2018	2017
Exercise price	N/A	$1.00
Option life	N/A	3
Expected share price volatility:	N/A	100%
Risk-free interest rate:	N/A	1.89%

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

NOTE 21: SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group only has one segment being, the operation of a community healthcare business in Australia. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

NOTE 22: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The main purpose of non-derivative financial instruments is to raise finance for Group's operations. The Group does not speculate in the trading of derivative instruments. The financial instruments used by the Group consist mainly of deposits with banks, other debtors, accounts payable and interest-bearing liabilities.

Specific Financial Risk Exposures and Management

The Group's activities expose it to a variety of financial risk including market risk (fair value and interest rate risk), credit risk and liquidity risk.

(a) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash balances and debt obligations with floating interest rates. The Company's policy is not to actively manage interest costs. At 30 June 2018, none of the Company's debt obligations were at variable rates of interest (2017: $nil).

The financial instruments exposed to interest rate risk are as follows:

	2018 $	2017 $
Financial assets		
Cash and Cash Equivalents	6,664,705	7,719,794
Financial liabilities		
Interest bearing liabilities – fixed rate (current)	(297,894)	(153,759)
Interest bearing liabilities – fixed rate (non-current)	(533,228)	(198,444)
Interest bearing liabilities - variable (non-current)	(18,000,000)	-
	(12,166,417)	7,367,591

(b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group does not have any material credit risk exposure to any single receivable or company of receivables under financial instruments entered into by the Group.

Credit risk exposures

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks, credit exposures to customers, including outstanding receivables. In relation to banks and financial institutions, the Company's policy is to only deal with independently rated parties with a minimum rating of 'A'. For customers, the group regularly monitors the credit risk associated with outstanding balances taking into to account their financial position, past history and other relevant factors.

The Group has no significant exposure to any individual debtor of the Group and the credit risk is low for the majority of the balance. Receivables balances are monitored on an ongoing basis and given the low risk profile of the customers the Group's exposure to bad debts is insignificant. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments.

(c) Liquidity risk

The Group manages liquidity risk by ensuring it has sufficient cash and available funding through adequate committed credit facilities. The Group prepares regular cashflow and funding forecasts to maintain suitable liquidity levels. Refer to Note 19 for further information on the Group's Capital Management policy.

NOTE 22: FINANCIAL RISK MANAGEMENT (continued)

Financing arrangements

The Group had access to the following borrowing facilities at the end of the reporting period:

	2018 $	2017 $
Floating rate		
Expiring within one year		
Total facility	-	-
Undrawn amount	-	-
Expiring beyond one year		
Total facility	24,150,000	16,650,000
Undrawn amount	6,150,000	15,766,567
Fixed rate		
Expiring within one year		
Total facility	297,894	153,759
Undrawn amount	-	-
Expiring beyond one year		
Total facility	909,674	198,444
Undrawn amount	376,446	-
Total facility	25,357,568	17,002,203
Undrawn amount	6,526,446	15,766,567

Maturity of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are undiscounted cashflows.

Contractual maturities of financial liabilities	Weighted average interest rate	Less than 1 year	Between 1 and 5 years	More than 5 years	Total contractual cash flows
	%	$	$	$	$
2018					
Non-interest bearing	-	13,123,828	-	-	13,123,828
Variable rate	3.59%	-	18,000,000	-	18,000,000
Fixed rate	6.06%	297,894	472,981	60,247	831,122
Total		13,421,722	18,472,981	60,247	31,954,950
2017					
Non-interest bearing	-	12,684,052	-	-	12,684,052
Variable rate	-	-	-	-	-
Fixed rate	6.40%	153,759	198,444	-	352,203
Total		12,837,811	198,444	-	13,036,255

(d) Net fair Value of financial assets and liabilities

Fair value estimation

Due to the short term nature of the receivables and payables the carrying value approximates fair value.

NOTE 23: PARENT ENTITY DISCLOSURES

	CONSOLIDATED	
	2018	2017
	$	$
Financial Position of Zenitas Healthcare Limited		
Assets		
Current assets	35,957,827	5,835,567
Non-current assets	52,662,142	25,873,100
Total assets	**88,619,969**	**31,708,667**
Liabilities		
Current liabilities	7,339,435	1,023,922
Non-current liabilities	22,211,602	-
Total liabilities	**29,551,037**	**1,023,922**
Net assets	**59,068,932**	**30,684,745**
Equity		
Issued capital	123,804,028	92,210,323
Reserves	1,554,908	1,460,596
Accumulated Losses	(66,290,004)	(62,986,174)
Total equity	**59,068,932**	**30,684,745**
Financial Performance of Zenitas Healthcare Limited		
Loss for the year	(6,185,190)	(4,756,822)
Total comprehensive income	**(6,185,190)**	**(4,756,822)**

Guarantees

There are no guarantees entered into by Zenitas Healthcare Limited for the debts of its subsidiary as at 30 June 2018 (2017: none).

Other commitments

There were no commitments as at 30 June 2018 (2017: none).

Contingent liabilities

There were no contingent liabilities as at 30 June 2018 (2017: Nil).

NOTE 24: CONTROLLED ENTITIES CONSOLIDATED

Controlled entity	Country of Incorporation	Class of Shares/Units	Percentage Owned 2018	2017
BGD Medical Centres Pty Ltd	Australia	Ordinary	100%	100%
Modern Medical Group Pty Ltd	Australia	Ordinary	100%	100%
Modern Medical Administration Trust	Australia	Ordinary	100%	100%
Zenitas Cityskin Unit Trust	Australia	Ordinary	60%	60%
Zenitas Dandenong Pty Ltd	Australia	Ordinary	100%	100%
Zenitas St Kilda Rd Pty Ltd	Australia	Ordinary	100%	100%
Zenitas Medical Trusco Pty Ltd	Australia	Ordinary	100%	100%
Zenitas Medical (WA) Unit Trust	Australia	Ordinary	100%	100%
Zenitas Management Services Pty Ltd	Australia	Ordinary	100%	100%
Zenitas Caring Choice Pty Ltd	Australia	Ordinary	100%	100%
Zenitas Home Care Pty Ltd	Australia	Ordinary	100%	100%
Zenitas Ontrac Pty Ltd	Australia	Ordinary	100%	100%
Zenitas HNA Trusco Pty Ltd	Australia	Ordinary	100%	100%
Zenitas HNA Pty Ltd	Australia	Ordinary	100%	100%
HNA Physio (QLD) Unit Trust	Australia	Ordinary	60%	60%
HNA Physio (NSW) Unit Trust	Australia	Ordinary	66%	66%
HNA Physio (VIC) Unit Trust	Australia	Ordinary	68%	68%
Lifecare Physio (Vic) Unit Trust	Australia	Ordinary	75%	79%
Lifecare Physio (WA) Unit Trust	Australia	Ordinary	72%	70%
Grantley No. 10 Pty Ltd	Australia	Ordinary	100%	-
Dimple Group Holdings Pty Ltd	Australia	Ordinary	100%	-
Dimple Care Pty Ltd	Australia	Ordinary	100%	-
Dimple Management Pty Ltd	Australia	Ordinary	100%	-
Dimple Physiotherapy Pty Ltd	Australia	Ordinary	100%	-
NexttCare Pty Ltd	Australia	Ordinary	51%	-
Comrec Australia Pty Ltd	Australia	Ordinary	100%	-

NOTE 25: COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into real property leases with lessors with lease terms between five and ten years. The Group has the option under certain leases to extend the leases for two additional terms of five years.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 are as follows:

	CONSOLIDATED	
	2018	2017
	$	$
Operating lease commitments – Group as lessee:		
Within one year	6,310,867	4,427,960
After one year but not more than five years	14,715,610	7,421,401
More than five years	4,350,201	1,272,468
	25,376,678	**13,121,829**

The Group has entered into real property leases with sub-lessees with lease terms of five years.

Future minimum rentals receivable by the Company under non-cancellable operating leases as at 30 June 2018 are as follows:

	CONSOLIDATED	
	2018	2017
	$	$
Operating lease receivables - Group as sub-lessor		
Within one year	872,369	725,494
After one year but not more than five years	403,584	-
More than five years	-	-
	1,275,953	**725,494**

Chattel mortgage and equipment facility commitments

The Group has entered into chattel mortgage contracts and equipment facilities for various items of plant and medical equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	2018		2017	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	$	$	$	$
Within one year	338,573	297,894	171,781	153,759
After one year but not more than five years	541,891	472,981	207,292	198,444
More than five years	62,943	60,247	-	-
Total minimum lease payment	943,407	831,122	379,073	352,203
Less amounts representing finance charges	(112,285)	-	(26,870)	-
Total	**831,122**	**831,122**	**352,203**	**352,203**

NOTE 25: COMMITMENTS AND CONTINGENCIES (continued)

Other commitments

The Group has no other commitments as at reporting date.

Legal claim contingency

The Group had no legal claim contingencies at reporting date.

Guarantees

The Group has provided bank guarantees to fund property rental bond requirements. As at 30 June 2018, $1,121,543 (2017: $883,433) in bank guarantees have been issued in favour of the lessors of properties rented to conduct the Group's business.

Tax related contingencies

The Group had no significant tax related contingencies at reporting date.

NOTE 26: RELATED PARTY DISCLOSURES

Loans to or from KMP and their related parties

There were no other loans made to or from Key Management Personnel during the financial year.

Acquisition of Modern Medical Craigieburn

Todd Cameron (Non-Executive Director) and Jeremy Kirkwood (Alternate Non-Executive Director) received sale proceeds of $520,634 and $289,241 respectively for the sale of their 45% and 25% interests respectively in the Modern Medical Craigieburn transaction - refer to Note 14 to the financial statements. This amount was paid 80% in cash and 20% in shares in the Company. Neither Todd Cameron or Jeremy Kirkwood have been involved in the negotiations or any decision to proceed with the Modern Medical Craigieburn transaction on either the buy side (for the Company) or the sell side (for the Modern Medical Craigieburn Vendor). The Board considers that the Modern Medical Craigieburn transaction is on arm's length, commercial terms.

Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Group acquired the following services from entities that are controlled by members of the group's key management personnel:

- Transaction advisory fees of $1,569,335 and reimbursement of travel and incidental expenses of $29,547 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Project identification and management fees of $240,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Acquisition due diligence fees of $66,000 paid to Dr Todd Cameron.

Compensation of key management personnel

Refer to Note 5 for disclosures in relation to key management personnel.

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

On 1 May 2018, the Company entered into a binding agreement to acquire 100% of Australian Home Care Services (AHCS), a leading home care services provider in Victoria and New South Wales servicing aged and disabled clients. The acquisition was completed on 31 July 2018. The total consideration paid was $4 million funded from the Company's existing cash reserves.

On 4 July 2018, adjustments were made to the remuneration arrangements for the Managing Director and Chief Executive Officer of Zenitas, Mr Justin Walter.

On 29 August 2018, Chief Financial Officer of Zenitas, Mr Glen Dymond was awarded 68,750 performance rights in respect of the 30 June 2019 financial year.

On 30 August 2018, the Company executed formal Debt Facility Agreements with National Australia Bank Limited for a $68 million Debt Facility. The purpose of this facility is to repay the Westpac Debt Facility and to fund future acquisitions of businesses.

There has not arisen in the interval between the end of the reporting period and the date of this report any other item, transaction or event of a material or unusual nature not otherwise dealt with in the financial statements, likely in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of the operations or the state of affairs of the Group in future financial years.

NOTE 28: CONTINGENT LIABILITIES

Contingent liability – HNA buyer of last resort

The consolidated entity encourages practice principals within the Zenitas HNA business to own equity and share in the profits of their practices under a detailed unit trust/physiotherapy program. All such transactions are carried out at market value.

As part of this program, a subsidiary company within the Group acts as a "buyer of last resort" to all physiotherapist equity holders should they wish to sell their equity and a suitable buyer cannot be found. Such purchases are to be completed within 12 months after the date of receipt of notice of intention to sell given by the physiotherapist equity holder. At 30 June 2018, no such notices had been received.

As no such notices of intention to sell had been received at 30 June 2018, no liability has been recorded. The total potential liability, contingent on receiving notices of intention to sell, is $4,727,062 (2017: $4,894,590). To the extent an amount is paid by the Group, it will acquire the "practice" units held by the transferring unitholder and the income stream derived from such "practice" units.

DIRECTORS' DECLARATION

For the year-ended 30 June 2018

In accordance with a resolution of the directors of Zenitas Healthcare Limited, I stated that:

1. In the opinion of the directors:

(a) the financial statements and notes of Zenitas Healthcare Limited for the financial year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

Shane Tanner

Non-Executive Chairman

31 August 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ZENITAS HEALTHCARE LIMITED

Opinion

We have audited the financial report of Zenitas Healthcare Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) 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 confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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.

Key Audit Matters (Continued.)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Recognition of Revenue
Refer to Note 2 in the consolidated financial statements</td></tr>
<tr><td>The Group’s revenue is generated from rendering of community-based healthcare services. Revenue recognition was considered a key audit matter due to its size and magnitude, and due to there being multiple revenue streams increasing the complexity of revenue recognition:

Total revenue from the rendering of services for the year ended 30 June 2018 was $75,840,851 and comprised of three types of revenue streams:
• Patient Fees
• Service Fees
• Home Care Support Service Fees</td><td>We obtained a detailed understanding of each of the revenue streams and the processes for capturing and recording revenue. Our key audit procedures in relation to the recognition of revenue included:

Patient Fees
• Gaining an understanding of the recognition of allied health consultant fees from the order entry and receipting process via the practice management software to the sales data transmission via the intranet portal
• Examining the integration of the intranet portal for the transmission of sales data from various clinics into the ledger
• On a sample basis for selected clinics, reconciling sales data to the revenue journals
• On a sample basis for clinicians, testing their retention rates to employment contracts
• For individual billings per clinic, testing the consultation fees to the price list and verify to subsequent receipts;
• Assessing the reasonableness of different patient fees by treatments to revenue received
• On a sample basis for invoices to aged cares, testing the revenue billed to funds receipted

Service Fees
• Gaining an understanding of the recognition of service fees from the order entry and receipting process via the practice management software
• Reconciling for a number of samples, the clinic total collections for the month to monthly distribution summaries proving funds receipted
• Inspecting the fee agreed for individual doctor to monthly distribution summaries
• Assessing the reasonableness of service fees on total collections reported to expected percentage bracket based on clinic and doctors’ agreements

Home Care Support Services Fees
• Gaining an understanding of the recognition of revenue from the provision of home care services
• On a sample basis verifying rates charged in invoices to funds receipted</td></tr>
</table>

Key Audit Matters (Continued.)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Impairment of Goodwill
Refer to Note 14 in the consolidated financial statements</td></tr>
<tr><td>The Group has goodwill of $80,719,008 of which $47,086,248 relates to its acquisition of 13 subsidiaries during the year. We identified this area as a Key Audit Matter due to the size of the goodwill balance, and because the directors' assessment of the 'value in use' of the 5 cash generating units ("CGU") involves judgements about the future underlying cash flows of the business and the discount rates applied to them.

For the year ended 30 June 2018 management performed an impairment assessment of the goodwill balance by:

• calculating the value in use for each CGU using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for each CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the appropriate discount rate; and
• comparing the resulting value in use of each CGU to their respective book values.

Management also performed a sensitivity analysis over the value in use calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuations.</td><td>Our audit procedures in relation to management's impairment assessment involved the assistance of our Corporate Finance team where required, and included:

• Assessing management's determination of the allocation of goodwill to various CGU's based on the nature of the Group's business and the manner in which results are monitored and reported;
• Assessing the valuation methodology used;
• Challenging the reasonableness of key assumptions including cash flow projections, discount rates, and sensitivities used;
• Checking the mathematical accuracy of the impairment calculations and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and
• Performing sensitivity analysis on the key assumptions in the impairment model, including the consideration of the available headroom.</td></tr>
<tr><td>Accounting for business combinations
Refer to Note 14 in the consolidated financial statements</td><td></td></tr>
<tr><td>During the year, the Group completed 13 acquisitions. The accounting for acquisitions is described in Note 14 of the consolidated financial statements.

The Group has determined these acquisitions to be business combinations for which the purchase price, including contingent consideration, is to be allocated between acquired assets and liabilities, identified intangible assets and contingent liabilities, and leading to the resultant recognition of goodwill at their respective fair values. The accounting for the business combinations was conducted on a provisional basis.

This was considered a key audit matter due to the number and size of the acquisitions (total purchase price of $48,028,970) and complexities inherent in business acquisitions. This includes judgement in applying the accounting standards such as the recognition and valuation of consideration paid, including contingent consideration, the identification and valuation of intangible assets, and the determination of the fair value of the tangible assets acquired.</td><td>Our procedures to assess the accounting treatment of the acquisition included:

• Obtaining the securities and business purchase agreements to understand the key terms and conditions, and ensuring that the transaction had been accounted for in compliance with AASB 3 Business Combinations;
• Testing the initial consideration, either through cash and/or shares, to the signed purchase agreement and to bank statements and assessing the appropriateness of the fair value of the total consideration. Testing included evaluating the recognition and determination of fair value of the contingent consideration included in the purchase price. Our review included assessing the forecasts used for determining the contingent consideration and comparing these against recent actual performance;
• Assessing the Group's determination of the fair value of the remaining assets and liabilities having regard to the completeness of assets and liabilities identified and the reasonableness of any underlying assumptions in their respective valuations, including useful lives of the intangible and tangible assets acquired and the consideration given;
• Assessing for identifiable intangible assets arising from customer contracts and assessing the appropriateness of its valuation;
• Considering the adequacy of disclosures on contingent liabilities and assets in relation to the acquisition; and
• Review the disclosures in Note 13 to the financial statements in order to assess compliance with the disclosure requirements of AASB 3.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. 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 30 June 2018.

In our opinion, the Remuneration Report of Zenitas Healthcare Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

Miano

R B MIANO
Partner

Dated: 31 August 2018
Melbourne, Victoria

SHAREHOLDER INFORMATION
For the year-ended 30 June 2018

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 28 August 2018.

Distribution of Equity Securities

Range	Holders Number	Number of shares
1 - 1,000	763	387,560
1,001- 5,000	1,045	3,180,850
5,001 - 10,000	514	4,158,105
10,001 - 100,000	750	21,398,089
100,001 - 9,999,999	69	45,236,557
Total	3,141	74,361,161

The number of shareholders holding less than a marketable parcel is 272.

Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

№	Shareholder	Shares	%
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	8,855,314	12.32%
2	SUN HUNG KAI INVESTMENT SERVICES LIMITED <CLIENT A/C>	8,100,816	10.90%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,334,362	4.78%
4	NATIONAL NOMINEES LIMITED	3,258,457	4.49%
5	DAMIEN JAMES PROPERTY HOLDINGS PTY LTD	2,162,424	2.91%
6	TORAC PTY LTD <CAM A/C>	1,866,608	2.51%
7	JKS GROUP HOLDINGS PTY LTD	1,221,967	1.64%
8	COMO GROUP HOLDINGS PTY LTD	1,037,495	1.40%
9	VILMOS PTY LTD <PANACCIO INVESTMENT TRUST>	1,021,709	1.38%
10	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	898,584	1.21%
11	LIVERPOOL HOLDINGS PTY LTD <THE LIM FAMILY A/C>	832,592	1.12%
12	ALMIKE PTY LIMITED <ALMOND SUPER FUND A/C>	750,000	1.01%
13	TIMSIM HOLDINGS PTY LTD <NO 2 A/C>	630,000	0.85%
14	BNP PARIBAS NOMS PTY LTD <DRP>	600,428	0.81%
15	NICK BECKETT	540,606	0.73%
16	GRACEMERE ENTERPRISES PTY LTD <WILLIAM BEST SUPERFUND A/C>	522,654	0.70%
17	BOND STREET CUSTODIANS LTD <MACQ AUS EMERGING COMPANIES>	504,635	0.68%
18	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	434,405	0.57%
19	MR MICHAEL CHARLES BOWDEN	350,000	0.47%
20	UBS NOMINEES PTY LTD	339,857	0.46%
	Total	37,262,913	50.11%

SHAREHOLDER INFORMATION

For the year-ended 30 June 2018

Substantial Shareholders

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

Shareholder	Shares	%
China Medical & Healthcare Group Limited	8,100,816	10.90
Microequities Asset Management Pty Ltd	4,313,860	5.81
	12,414,676	16.71

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called; otherwise each member present at a meeting has one vote on a show of hands.

Statement of Cash Utilisation

Zenitas Healthcare Limited has used its cash and assets readily convertible to cash from the time admitted to the ASX to the 30 June 2018 in a way consistent with its business objectives.

Restricted Securities

There are securities subject to voluntary Escrow as below:

There are 154,333 securities subject to escrow until 13 October 2018.

There are 154,333 securities subject to escrow until 13 April 2019.

On market buy-back

There is no current on-market buy back.

Corporate governance

A copy of the Company's Corporate Governance Statement is available of the Company's website at www.zenitas.com.au.