

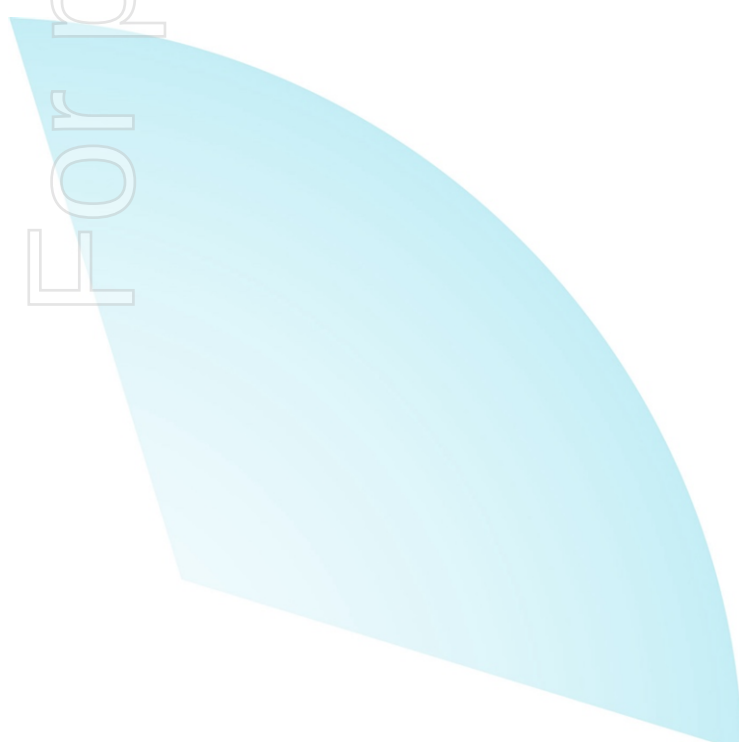
Paragon Care Limited

ABN 76 064 551 426

Annual Report - 30 June 2024

ParagonCare

Enabling Healthcare



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For personal use

Directors

Peter Lacaze - Chairman
David Collins - Managing Director & CEO
Carmen Riley - Executive Director and Chief Operating Officer
John Walstab - Executive Director
Alan McCarthy - Non-Executive Director

Company secretaries

Melanie Leydin
Claire Newstead-Sinclair

Registered office and principal place of business

77-97 Ricketts Road
Mount Waverley VIC 3149
Telephone: (03) 8833 7800
Facsimile: (03) 8833 7890

Share register

Link Market Services Limited
Level 13, Tower 4, 727 Collins Street
Melbourne VIC 3000
Telephone: 1300 554 474
Facsimile: (02) 9287 303
Website: www.linkmarketservices.com.au

Auditor

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000
Website: www.ey.com

Solicitors

Baker McKenzie
181 William Street
Melbourne 3000

Bankers

National Australia Bank
HSBC Bank Australia
Scottish Pacific Business Finance Pty Ltd

Stock exchange listing

ParagonCare shares are listed on the Australian Securities Exchange (ASX code: PGC)

Website

www.paragoncare.com.au

Corporate Governance Statement

The Directors and management are committed to conducting the business of ParagonCare in an ethical manner and in accordance with the highest standards of corporate governance. ParagonCare has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Company's FY24 Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report, can be found at:

<https://paragoncare.com.au/corporate-governance>

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Group', 'Group') consisting of Paragon Care Limited (referred to hereafter as the 'Company', 'parent entity' or 'ParagonCare') and the entities it controlled at the end of, or during, the year ended 30 June 2024 ('30 June 2024', '2024' or 'FY24'). Comparatives disclosed are for the year ended 30 June 2023 ('30 June 2023', '2023' or 'FY23').

Significant changes in the state of affairs

The Reverse Acquisition

On 3 June 2024 ParagonCare completed the 100% acquisition of CH2 Holdings Pty Limited and its controlled entities (collectively, 'CH2 Holdings'). ParagonCare has issued combined total of 943,524,072 ordinary shares as purchase consideration to the shareholders of CH2 Holdings.

The acquisition of CH2 Holdings is a transformative transaction for ParagonCare and is expected to create a leading healthcare wholesaler, distributor and manufacturer of significant scale. This acquisition will enable ParagonCare to leverage expansion into both companies' healthcare wholesaling and distribution networks across Australia, New Zealand and Asia, capitalising on and strengthening the combined market presence and operational capabilities in these growing markets.

With effect from 3 June 2024 (completion of the acquisition):

- Mr David Collins, Ms Carmen Riley and Mr Peter Lacaze have been appointed as directors of ParagonCare
- Mr Peter Lacaze was appointed as the Chairman of the board of ParagonCare
- Mr David Collins was appointed as the CEO and Managing Director of ParagonCare
- Mr John Walstab resigned as CEO and Managing Director of ParagonCare and remains as an Executive Director of the Consolidated Group
- Mr Alan McCarthy remains as the Non-Executive Director of ParagonCare
- Mr Shane Tanner, Mr Geoffrey Sam, and Mr Brent Stewart resigned as directors of ParagonCare (*effective date of resignation 4 June 2024*)
- Mr Michael Peters will continue as Chief Financial Officer of the Consolidated Group (resigned 6 September 2024)

The acquisition has been accounted for using the principles for reverse acquisition in AASB3 *Business Combinations* (AASB3). The application of the reverse acquisition guidance contained in AASB3 has resulted in ParagonCare (legal parent) being accounted for as the accounting acquiree and CH2 Holdings (legal subsidiary) being accounted for as the accounting acquirer.

Accordingly the Consolidated Financial Statements for the year ended 30 June 2024 have been prepared as a continuation of the business and operations of CH2 Holdings. The effective date of acquisition is 3 June 2024. Further information on the acquisition and the accounting reported is in note 36 to the consolidated financial statements.

The values identified in relation to the reverse acquisition are provisional as at 30 June 2024. The acquisition resulted in the recognition of provisional goodwill of \$295,226,000. Thus, the net assets acquired may need to be subsequently adjusted, with a corresponding adjustment to the provisional goodwill. The finalisation of the fair values of assets acquired and liabilities assumed will be completed within 12 months of the acquisition date, at the latest.

On 3 June 2024 ParagonCare shareholders formally approved to waive the vesting conditions related to all outstanding performance rights on issue under the ParagonCare Employee Incentive Plan. Consequently 43,913,138 performance rights that remained on foot on 3 June 2024 vested immediately and converted to ordinary shares of ParagonCare.

Acquisition of Osborne Health Supplies

On 28 February 2024 CH2 Holdings acquired the business of Osborne Health Supplies ('OHS'). OHS established in 1990 is a leading distributor of TGA listed medicines, natural, traditional and complementary health products to the complementary and orthodox healthcare sectors.

OHS distributes a range of over 11,000 products from over 400 brands to a broad and diversified customer base. Integrity and excellence in service have earned OHS the position of being the distributor of choice to natural health practitioners, other registered health practitioners, pharmacies as well as health food stores and online health product retailers.

The transaction has been assessed to be a business combination under AASB3 wherein CH2 Holdings is the acquirer and OHS is the acquiree. The effective date of acquisition is 1 March 2024. The acquisition resulted in the recognition of provisional goodwill of \$16,184,000. The values identified in relation to the acquisition of OHS are provisional as at 30 June 2024, thus, the net assets acquired may need to be subsequently adjusted, with a corresponding adjustment to the provisional goodwill. The finalisation of the fair value of assets acquired and liabilities assumed will be completed within 12 months of the acquisition date, at the latest. Further information on the acquisition and the accounting is reported in note 36 to the consolidated financial statements.

Acquisition of Central Healthcare Services

On 14 July 2023 CH2 Holdings acquired certain assets of Central Healthcare Services ('CHS'). The transaction has been assessed to be an asset acquisition under AASB3. Further information on the acquisition and the accounting is reported in note 36 to the consolidated financial statements.

There were no other significant changes in the state of affairs of the Group during the financial year.

Directors

The following persons were directors of ParagonCare during the whole of the financial year and up to the date of this report, unless otherwise stated:

Current directors

Peter Lacaze	Chairman (appointed on 3 June 2024)
David Collins	CEO and Managing Director (appointed on 3 June 2024)
Carmen Riley	Executive Director and Chief Operating Officer (appointed on 3 June 2024)
Alan McCarthy	Non-Executive Director
John Walstab	Executive Director

Former directors

Shane Tanner	Non-Executive Chairman (resigned on 4 June 2024)
Geoffrey Sam OAM	Non-Executive Director (resigned on 4 June 2024)
Brent Stewart	Non-Executive Director (resigned on 4 June 2024)
Graeme Lyle Stubbs	Non-Executive Director (resigned on 3 June 2024 – CH2 Holdings non-executive director)

Principal activities

The principal continuing activities of the Group during the year were the supply of durable medical equipment, medical devices, consumable medical products, and maintenance of technical medical equipment to the health, aged care and veterinary markets throughout Australia, New Zealand and Asia, as well as the distribution of pharmaceuticals, medical consumables, and complementary medicines to the Australian healthcare market.

Review of operations

	30 June 2024⁽ⁱ⁾ \$'000	30 June 2023 \$'000	Change \$'000	Change %
Revenue	2,969,885	2,187,345	782,540	36%
Cost of goods sold	(2,793,353)	(2,055,589)	(737,764)	36%
Gross margin	176,532	131,756	44,776	34%
Profit before tax	14,053	18,354	(4,301)	(23%)
Depreciation and amortisation expenses	14,468	12,180	2,288	19%
Finance costs	16,241	10,884	5,357	49%
Earnings before interest, tax, depreciation and amortisation ('EBITDA')⁽ⁱⁱ⁾	44,762	41,418	3,344	8%
EBITDA	44,762	41,418	3,344	8%
Acquisition costs	5,460	-	5,460	-
Other write-offs	3,046	-	3,046	-
Normalised earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA')⁽ⁱⁱ⁾	53,268	41,418	11,850	29%

- (i) Operating results for the year ended 30 June 2024 include 12 months results for CH2 Holdings and results for ParagonCare from the date of acquisition (3 June 2024 to 30 June 2024). The comparative operating results are for CH2 Holdings only.
- (ii) Earnings before interest, tax, depreciation and amortisation ('EBITDA') and Normalised earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA') are non-IFRS financial information metrics and have not been subject to audit or review by the ParagonCare's external auditor in accordance with Australian Auditing Standards. Underlying EBITDA is presented to provide insights into the operating and financial results of the Group to the users of the financial statements due to the reverse acquisition.
- (iii) Acquisition costs include directly attributable costs in relation to the reverse acquisition, OHS acquisition and CHS acquisition.
- (iv) Other write-offs represent other adjustments recognised in the current year.

Group summary financial performance

The Group delivered a solid underlying result during the year ended 30 June 2024. Revenue was up by 36% to \$2,969,885,000 and gross margin was up 34% to \$176,532,000. Underlying EBITDA increased by 29% to \$53,268,000 reflecting the organic growth of the Group's position along with contributions from the reverse acquisition, and the acquisitions of OHS and CHS.

Material risks

The Group's activities expose it to a number of economic and business risks that are specific to the Group and its business activities. Principles of the Group's risk management framework is to identify, manage and control risks without material adverse impacts to its business activities. The Group's risk management framework is supported by:

- Oversight by the Board
- Execution by experienced management team
- Regular reviews, identification and reporting risks
- Established levels of authority, approval processes, and
- Where appropriate external risk mitigation arrangements such as insurance covers, borrowings

Regulatory and licensing risks

The Group operations are subject to policies and legislation including in respect of the pharmaceutical industry, community pharmacy sector, healthcare sector, taxation, competition, prescribed by government authorities in Australia and overseas. The Group is a member of the Community Service Obligation (CSO) and National Diabetes Services Scheme (NDSS) funding pool. The CSO and NDSS arrangements are highly regulated and any non-compliance or failure to meet service standards may result in financial sanctions or the Commonwealth Government terminating the arrangement and the loss of funding.

The Group mitigates the legislative and regulatory risks through:

- (a) The Group compliance framework, which enables the Company-wide policies, procedures and periodic review of compliances matters and reporting.
- (b) Monitoring the developments in the regulatory space and where appropriate engages proactively with key stakeholders to manage this risk.

Financial risk

The Group is exposed to various financial risks including debt covenants, interest rates, liquidity management, foreign currency movements, customer defaults, inventory obsolescence and loss.

The Group mitigates the financial risks through:

- (a) Periodic review of the appropriateness of the Group's debt facilities and interest arrangement.
- (b) Corporate planning and review of debt and funding needs through cash flow forecasts, financial covenants and working capital assessments.
- (c) Foreign exchange contracts.
- (d) Established credit policy and credit framework overseen by CFO.

Supply chain

The Group sources most of its products for supply from third parties. Loss or interruption to these supply chains, including the failure to supply products in the agreed timeframes, may impact the business operations and reputation. This may in turn adversely impact sales and margins, reduce overall profitability, and have an adverse effect on the Group's financial performance as well the Group's CSO arrangements.

The Group mitigates the risks associated with supply chain through:

- (a) Maintaining a diversified supplier base and long-term agreements with key suppliers.
- (b) Engage in joint business planning processes to support and align internal and supplier objectives.
- (c) Periodical risk assessment and proactive engagement with key suppliers.
- (d) Review inventories to identify and manage slow-moving and obsolete inventory.

Reliance on key personnel

The Group's business relies on its ability to attract and retain experienced employees with relevant healthcare expertise. The loss of key employees or the inability to recruit or retain suitable skilled employees may adversely impact the performance of the Group.

The Group mitigates the risks through:

- (a) Offering competitive remuneration and benefits.
- (b) Short-Term Incentives (STI) and Long-Term Incentives (LTI) in place for key roles.
- (c) Where possible offering flexible working arrangement.
- (d) Planning and reviewing talent succession planning arrangement.

Technology and cyber risks

The Group will be reliant on the performance, reliability and availability of its technology platforms, systems and services. This is especially important for business units which assists in the servicing and maintenance of medical equipment and systems. The Group's ability to deliver these services will be adversely affected by system outages, faulty equipment, computer viruses, security breaches, hacking incidents or misuse by staff or contractors.

The Group mitigates the technology and cyber risks through:

- Information user policy, supporting framework and specialized resources
- Business continuity and disaster recovery plans
- Independent external IT security assessment performed to assess maturity level
- Employee training and regular reminders to alert about potential cyber risks
- Regular cyber incidents review and reporting
- In house or outsourced IT experts bringing best practice processes

Occupational health and safety risks

As a wholesaler and distributor the Group has a labour-intensive workforce in warehouses and distribution centres. The nature of work poses inherent risks to the safety and well-being of employees and contractors. This may lead to challenges in managing occupational health and safety effectively.

Key mitigation strategies include:

- (a) Periodic review of safety protocols, identify potential health, safety, and wellbeing hazards at the Groups workplaces.
- (b) Established contingency plans for possible health, safety, and wellbeing emergencies.
- (c) Periodic review of all relevant health and safety incidents and reporting.
- (d) Periodic review of relevant regulations, best practices, and areas of improvement.

Climate change, social and environmental sustainability risks

Climate change and environmental risks have the potential to impact and disrupt the Group's operations and performance. This could be in the form of events such as extreme weather events and changes to laws and regulations. In addition, there could be reputational damage due to changing consumer perceptions and expectations around social and environmental sustainability responsibilities.

Key mitigation strategies include:

- (a) Identifying and managing and mitigating environmental risks from Group operations, particularly our distribution centre network.
- (b) Review best practices and areas of improvements around the operating elements which contribute to the environmental footprint such as packaging, waste management, energy consumption.
- (c) Periodically review supply chain, procurement process and contracts in response to changes to regulations such as Modern Slavery legislation.

Matters subsequent to the end of the financial year

Subsequent to 30 June 2024 ParagonCare has filed an Assumption Deed with ASIC whereby CH2 Holdings will join the ParagonCare's closed group.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The reverse acquisition is a transformative transaction and will enable CH2 Holdings to leverage expansion into both existing companies' healthcare wholesaling and distribution networks across Australia, New Zealand and Asia. The Consolidated Group's operational focus includes:

- expanding into new markets,
- mutual cross-selling of products,
- optimising shared services network; and
- pursuing inorganic growth opportunities.

Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Australian Commonwealth or State laws. However, the Board believes that the Group has adequate systems and controls in place for the management of its environmental obligations and is not aware of any breaches at the reporting date.

Dividends

Dividends paid by CH2 Holdings during the current and previous financial year were as follows:

	Consolidated	
	30 June 2024⁽ⁱ⁾ \$'000	30 June 2023⁽ⁱ⁾ \$'000
Final dividend for the year ended 30 June 2022	-	6,527
Final dividend for the year ended 30 June 2023	12,613	-
	<u>12,613</u>	<u>6,527</u>

(i) Amounts represent the dividend declared and paid to the former shareholders of CH2 Holdings prior to the completion of reverse acquisition.

Dividend declared - current period

There was no dividends recommended or declared for the current financial year ended on 30 June 2024.

Prior period

On 30 August 2023 ParagonCare declared dividends amounting to \$3,956,000 for the year ended 30 June 2023. This consisted of \$2,658,000 paid in cash and \$1,298,000 by way of issues shares under the Company's dividend reinvestment plan.

Information on directors

Name:
 Title:
 Qualifications:
 Experience and expertise:

Peter Lacaze

Chairman (Appointed at ParagonCare on 3 June 2024)

BCom, MBA, MAICD, FCPA

Peter Lacaze is the Chairman and 28.5% owner of ParagonCare. Peter was a 50% shareholder of CH2 Holdings prior to the completion of reverse acquisition.

Peter has been involved in CH2 Holdings since 2006 as a minority shareholder and was the Chief Executive Officer between 2006 to 2008. Peter became the Chairman of CH2 Holdings in December 2015 when David Collins and Peter acquired 100% of CH2 Holdings. As an experienced Australian business leader, Peter has worked in a number of industries with particular emphasis on healthcare and travel. Peter brings a dynamic and practical approach with a long-term lens on driving business performance.

Other current directorships:
 Former directorships (last 3 years):
 Special responsibilities:

None
 None
 Chairman of the Nomination and Remuneration Committee
 Member of the Audit and Risk Committee

Interests in shares:
 Interests in rights:

471,762,036
 None

Name:
 Title:
 Qualifications:
 Experience and expertise:

David Collins

CEO and Managing Director (Appointed at ParagonCare on 3 June 2024)

BBus

David is CEO and Managing Director and 28.5% owner of ParagonCare. David was a 50% shareholder of CH2 Holdings prior to the completion of reverse acquisition.

David was appointed as CEO and Managing Director in December 2015 of CH2 Holdings when David and Peter Lacaze acquired 100% of CH2 Holdings. David has been with CH2 Holdings since 2005 starting as Chief Financial Officer and then moving into the Managing Director role in 2008 until 2014. In 2006 David became a minority shareholder of CH2 Holdings. David spent 14 months as the Chief Financial Officer at Greencross Health Limited in Auckland. David brings unparalleled experience and extensive knowledge of the Australian and New Zealand healthcare wholesale and distribution sectors.

Prior to CH2 Holdings David held senior finance and management roles in both Australia and New Zealand, predominantly in the pharmaceutical wholesaling industries.

Other current directorships:
 Former directorships (last 3 years):
 Special responsibilities:
 Interests in shares:
 Interests in rights:

None
 None
 None
 471,762,036
 None

Name: **Carmen Riley**
Title: Chief Operating Officer and Executive Director (Appointed at ParagonCare on 3 June 2024)
Qualifications: BCom, CPA, GAICD
Experience and expertise: Carmen was appointed Chief Operating Officer in 2017 after transitioning from General Manager of Sales. Before joining CH2 Holdings Carmen was CEO of PQ Lifestyles (Intouch) from July 2008, which was successfully acquired by CH2 Holdings in 2010.

Prior to joining the Healthcare industry Carmen had an extensive career within FMCG, including Supply Chain and Operations, Finance and Project Management. Carmen's experience provides strong financial and operational management skills gained from both private and ASX listed companies.

Carmen was appointed to the CH2 Holdings board of directors in July 2019.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of the Audit and Risk Committee
Interests in shares: 200,000
Interests in options: None

Name: **John Walstab**
Title: Executive Director - Appointed as CEO and Managing Director of ParagonCare on 1 October 2023 until 3 June 2024 (continuing as an Executive Director of ParagonCare)
Experience and expertise: John Walstab has over 40 years of experience in medical equipment distribution in Asia, with a strong focus on leading-edge healthcare technologies and business innovation.

John founded in 1999 and served as Managing Director and CEO of Quantum Health Group (ASX:QTM) before merging it with Paragon Care Limited in 2022. In 2023 John was appointed Managing Director of ParagonCare, leading the company until its merger with CH2 in June 2024, and will continue as an Executive Director, focusing on ParagonCare's growth across Asia. John's prior roles include Managing Director of Advanced Technology Laboratories (Philips Medical Systems ANZ) and Business Manager for Medtel Australia. He is also a member of the Australian Institute of Company Directors and sits on various Boards, including Central Sydney Private Hospital, CBTR Healthcare Solutions, and SMS Healthcare.

Other current directorships: None
Former directorships (last 3 years): Quantum Health Group Limited (ASX:QTM) prior to merger with Paragon Care Limited.
Special responsibilities: None
Interests in shares: 158,590,731
Interests in rights: None

Name: **Alan McCarthy**
Title: Non-Executive Director
Qualifications: B Bus (Accounting), MCom in Marketing and Organisational Behaviour, CPA
Experience and expertise: Alan's experience spans public health and private health services across Asia Pacific for more than 32 years, including CEO at Alpenglow Australia, and SRG NZ, MD of Philips ANZ, Vice-President Asia Pacific at CareFusion, Country Manager ANZ at Cardinal Health, and GM of Diagnostic Imaging at Mayne Health/Health Care of Australia. Currently he is a Non-Executive Director of Qscan Services Pty Ltd, and RHC Group Ltd (Pacific Radiology, Auckland Radiology), and Bay Radiology, and is also CEO of AdvaHealth Solutions Sg.

Other current directorships: None
Former directorships (last 3 years): Quantum Health Group Limited (ASX:QTM) prior to merger with Paragon Care Limited.
Special responsibilities: Member of the Nomination and Remuneration Committee
 Member of the Audit and Risk Committee
Interests in shares: None
Interests in rights: None

Name: **Shane Tanner**
Title: Non-Executive Chairman (resigned on 4 June 2024)
Qualifications: FCPA, ACIS, MAICD
Experience and expertise: Shane was a Co-Founder of ParagonCare in 2008 and has considerable experience and background in the Australian healthcare industry. Shane has been integral to a number of small and large-scale acquisitions in the business over a long period. He has also helped to establish and guide a number of significant Healthcare and Life Science businesses - he was the founding CEO of Symbion Health, one of Australia's largest diagnostic businesses and was the founding Chairman and led the IPO of Vitura Australia, Vision Eye Institute, and Rhythm Biosciences.
Other current directorships: None
Former directorships (last 3 years): Funtastic Limited (ASX: FUN)
 Rhythm Biosciences Limited (ASX: RHY)
 Vitura Health Limited (ASX: VIT)
 Victory Offices Limited (ASX: VOL)
Special responsibilities: Member of Nomination and Remuneration Committee
 Member of Audit and Risk Committee
 Member of Investment Committee
(Special responsibilities held at the time of ceasing as a key management personnel)
Interests in shares: None *(no longer a key management personnel not necessarily a disposal of holding)*

Name: **Brent Stewart**
Title: Non-Executive Director (resigned on 4 June 2024)
Qualifications: B Sc, B Psych, FAICD
Experience and expertise: Brent is an experienced company executive and director having occupied numerous senior executive and board roles over the past 25 years. Brent established and grew a successful company in Australia and New Zealand (Market Equity Pty Ltd) before selling to a large multinational group (Aegis PLC). Brent has a long association with various segments of the healthcare sector in Australia and internationally. Currently Brent occupies Non-Executive roles at HBF Health Ltd, Etherington Inc, and Argonaut Ltd.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of Audit and Risk Committee
 Member of Nomination and Remuneration Committee
 Member of Investment Committee
(Special responsibilities held at the time of ceasing as a key management personnel)
Interests in shares: None *(no longer a key management personnel not necessarily a disposal of holding)*

Name: **Geoffrey Sam OAM**
Title: Non-Executive Director (resigned on 4 June 2024)
Qualifications: BCom, M.Hospital Administration, M.Economics and Social Studies, FAICD, MHA
Experience and expertise: Geoffrey has held numerous successful ASX listed board positions including Chairman of Money 3, Director of Hutchinson's Childcare Services, and Managing Director of Nova Health. Prior to his appointments to ASX listed companies, Geoffrey undertook numerous Chief Executive positions at Adelaide based hospitals. He is the Co-Founder and Director of Healthcare Group Pty Ltd, it comprises of 17 hospitals and day surgeries.
Other current directorships: EarlyPay Limited (ASX:EPY)
 IDT Australia (ASX:IDT)
 Change Australia Ltd (ASX:CCA)
Former directorships (last 3 years): None
Special responsibilities: Chairman of Nomination and Remuneration Committee
 Member of Audit and Risk Committee
(Special responsibilities held at the time of ceasing as a key management personnel)
Interests in shares: None *(no longer a key management personnel not necessarily a disposal of holding)*

Name:	Mark Hooper
Title:	Chief Executive Officer and Group Managing Director (resigned on 31 October 2023)
Qualifications:	BBus (Acc), CPA, MAICD
Experience and expertise:	Mark commenced as Group CEO and Managing Director of ParagonCare in April 2022. Mark brings substantial industry and management experience to ParagonCare following his 11-year tenure as CEO and Managing Director of Sigma Healthcare Limited. At Sigma Mark led the business through divestments, acquisitions, internal transformation and a renewal of its national distribution centre network. Prior to Sigma, Mark held various executive roles at ASX-listed organisations including PaperlinX, Symbion Health and Ashton Mining.
Other current directorships:	None
Former directorships (last 3 years):	Sigma Healthcare Limited (ASX: SIG)
Special responsibilities:	None
Interests in shares:	None <i>(no longer a key management personnel not necessarily a disposal of holding)</i>

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

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

Company secretaries

Name:	Melanie Leydin
Title:	Joint Company Secretary
Qualifications:	B Bus (Acc. Corp Law), CA, FGIA
Experience and expertise:	Melanie holds a Bachelor of Business majoring in Accounting and Corporate Law. Melanie is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. Melanie graduated from Swinburne University in 1997, became a Chartered Accountant in 1999, and from February 2000 to October 2021 was the principal of Leydin Freyer which was acquired by Vistra in November 2021. Melanie is now Vistra Australia's Managing Director and Regional Managing Director. Vistra is a prominent provider of governance and compliance solutions and finance and accounting solutions in the Fund, Corporate, Capital Markets, and Private Wealth sectors.

Melanie has over 30 years' experience in the accounting profession and over 20 years' experience holding Board positions including Company Secretary and CFO of ASX listed entities. Melanie has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies, initial public offerings, secondary raisings and shareholder relations.

Name:	Claire Newstead-Sinclair
Title:	Joint Company Secretary
Qualifications:	B Bus (Accounting), CA, GIA
Experience and expertise:	Claire is employed at Vistra Australia, a professional advisory and corporate services firm. Claire is a Chartered Accountant with extensive ASX experience across several industry sectors and is appointed Company Secretary on a number of ASX listed Companies. Claire specialises in ASX statutory reporting, ASX compliance, Corporate Governance and board and secretarial support.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and director attendance at those meetings, is set out below.

Meetings held after the completion of reverse acquisition on 3 June 2024.

	Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Peter Lacaze	1	1	-	-	1	1
Alan McCarthy	1	1	-	-	1	1
David Collins	1	1	-	-	1	1
John Walstab	1	1	-	-	1	1
Carmen Riley	1	1	-	-	1	1

Meetings held prior to the completion of reverse acquisition on 3 June 2024.

	Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Shane Tanner	8	8	1	1	3	3
Geoffrey Sam OAM	8	8	1	1	3	3
Brent Stewart	8	8	-	-	3	3
Mark Hooper	2	2	-	-	-	-
Alan McCarthy	4	4	-	-	-	-
John Walstab	8	8	-	-	-	-

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

Shares under performance rights

There were no unissued ordinary shares of ParagonCare under performance rights outstanding at the date of this report.

Shares issued on the exercise of performance rights

On 3 June 2024 ParagonCare shareholders formally approved to waive the vesting conditions related to all outstanding performance rights on issue, under the ParagonCare Employee Incentive Plan. Consequently 43,913,138 performance rights that remained on foot at 3 June 2024 vested immediately and converted to ordinary shares of ParagonCare.

Date performance rights granted	Exercise price	Number of shares issued
28 September 2021	\$0.00	2,660,851
1 July 2022	\$0.00	2,779,611
29 November 2022	\$0.00	5,441,086
1 July 2023	\$0.00	5,459,210
21 November 2023	\$0.00	1,572,380
3 June 2024	\$0.00	26,000,000
		<u>43,913,138</u>

Indemnity and insurance of officers

The Group maintains directors' and officers' liability insurance for the benefit of persons defined in the policy which include current and former directors and officers, including executives of the Company, directors, senior executives and secretaries of its controlled entities to the extent permitted by the *Corporations Act 2001* (Cth). The terms of the insurance contract are highly commercially sensitive and prohibit disclosure of the premiums payable and other terms of the policy.

The Group has indemnified the directors and executives of the Group for costs incurred in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

The Group has entered into a deed of indemnity, insurance, and access with each of its directors and executives, pursuant to which:

- each Director and executive have rights of access to Group information;
- to the maximum extent permitted by law, the Group agrees to indemnify each Director and executive from and against all liability incurred by the Director or executive in the performance of their role as a Director or executive of the Company (and any subsidiary of the Company) on the terms set out in the deed; and
- to the extent permitted by law requires the Group to use its reasonable endeavours to ensure that the Director or executive is insured under a directors and officers insurance policy throughout the duration of the Director or executive's appointment, and after the Director or executive ceases to hold office for the later of a period of seven years, or until after the date that any claim against the Director or executive that commenced during the seven-year period is finally resolved.

Indemnity and insurance of auditor

To the extent permitted by law the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

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

Proceedings on behalf of the Company

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

Non-audit services

Ernst & Young was appointed as the auditors of the Consolidated Group and ParagonCare on 17 June 2024. RSM Australia Partners were the auditors of ParagonCare prior to the completion of the reverse acquisition and resigned with effect from 17 June 2024.

Details of the amounts paid or payable to Ernst & Young and RSM Australia Partners for non-audit services provided during the financial year are outlined in note 32 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

Rounding of amounts

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

Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

Remuneration report

The Remuneration Report is set out in the next section.

This report is signed in accordance with a resolution of the directors.

On behalf of the directors



Peter Lacaze
Chairman

24 September 2024



**Building a better
working world**

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's independence declaration to the directors of Paragon Care Limited

As lead auditor for the audit of the financial report of Paragon Care Limited for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Paragon Care Limited and the entities it controlled during the financial year.

Ernst & Young

Paul Gower
Partner
24 September 2024

Remuneration report (audited)

Introduction

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

This remuneration report for the year ended 30 June 2024 forms part of the Directors Report and has been audited in accordance with section 300A of the *Corporations Act* (except as otherwise stated).

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

As noted in note 2 to the consolidated financial statements the Group completed a reverse acquisition on 3 June 2024 and consequently the consolidated financial report has been prepared as a continuation of the business and operations of CH2 Holdings. In reconciling the application for the key management personnel remuneration disclosures required under the *Corporations Act* and *Corporations Regulations*, the Group adopted the following approach for optimal disclosure of remuneration report for the year ended 30 June 2024 and for the comparatives for the year ended 30 June 2023.

- (i) For the period from 4 June 2024 to 30 June 2024 (*post-reverse acquisition period*) key management personnel include all directors and other executives of the Consolidated Group (including both ParagonCare and CH2 Holdings). This includes those directors and other key management personnel who have resigned as key management personnel after the reverse acquisition.
- (ii) For the period from 1 July 2023 to 3 June 2024 (*pre-reverse acquisition period*) key management personnel include all directors and other key management personnel of CH2 Holdings.

In addition for optimal disclosure purposes information on key management personnel of ParagonCare (*pre-reverse acquisition period*) are included. This includes those directors and other key management personnel of ParagonCare that had resigned or were no longer designated as key management personnel after the reverse acquisition.

- (iii) CH2 Holdings was not a disclosing entity and consequently was not required to prepare a remuneration report pursuant to the *Corporations Act* and *Corporations Regulations* for the year ended 30 June 2023. Therefore, comparative information related to CH2 Holdings' key management personnel for the period from 1 July 2022 to 30 June 2023 is not presented in the remuneration report.
- (iv) ParagonCare was a disclosing entity and prepared a remuneration report for the year ended 30 June 2023. Therefore, for optimal disclosure purposes comparative remuneration details of ParagonCare key management personnel are disclosed for the year ended 30 June 2023. This includes those directors and other key management personnel of ParagonCare that had resigned or were no longer designated as key management personnel after the reverse acquisition.

Based on the approach above key management personnel identified for the disclosures in the remuneration report of the Consolidated Group are set out in the table below.

Directors of CH2 Holdings and Consolidated Group

Peter Lacaze	Chairman (<i>appointed at ParagonCare on 3 June 2024</i>)
David Collins	Chief Executive Officer and Managing Director (<i>appointed at ParagonCare on 3 June 2024</i>)
Carmen Riley	Executive Director and Chief Operating Officer (<i>appointed at ParagonCare on 3 June 2024</i>)
Graeme Stubbs	Non-Executive Director (<i>resigned on 3 June 2024</i>)

Other key management personnel of ParagonCare and the Consolidated Group

Alan McCarthy	Non-Executive Director of ParagonCare
John Walstab	Executive Director of ParagonCare (<i>CEO and Managing Director of ParagonCare from 1 October 2023 to 3 June 2024</i>)
Michael Peters	Chief Financial Officer (<i>Appointed as interim CFO of ParagonCare on 21 May 2024 and took over as Group CFO on 3 June 2024, resigned 6 September 2024</i>)
Phillip Nicholl	Executive General Manager, ParagonCare ANZ (<i>resigned on 1 July 2024</i>)

Former directors of ParagonCare

Shane Tanner	Non-Executive Chairman (resigned on 4 June 2024)
Geoffrey Sam OAM	Non-Executive Director (resigned on 4 June 2024)
Brent Stewart	Non-Executive Director (resigned on 4 June 2024)
Mark Hooper	Chief Executive Officer and Managing Director (resigned on 31 October 2023)

Other key management personnel of ParagonCare

Josephine De Martino	Chief Financial Officer of ParagonCare (resigned on 21 May 2024)
----------------------	--

Remuneration framework disclosed in this report at 30 June 2024 is that of ParagonCare's framework which was in application prior to the completion of reverse application. This framework was applied for ParagonCare key management personnel prior to the completion of the reverse acquisition. This framework was not applicable to the key management personnel of CH2 Holdings prior to the completion of the reverse acquisition but applicable from 3 June 2024.

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

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

Principles used to determine the nature and amount of remuneration

The objective of the 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 the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

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

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

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

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

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

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

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at an Annual General Meeting of ParagonCare and came into effect on 23 November 2022 (*prior to the reverse acquisition*). Shareholders approved a maximum annual aggregate non-executive remuneration of \$600,000. This amount, or part thereof, is divided among non-executive directors as determined by the Board and reflecting time and responsibility related to the Board and committees.

Executive remuneration

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

The executive remuneration and reward framework has three components:

- base pay, non-monetary benefits and other statutory entitlements such as such as superannuation, annual leave and long service leave
- short-term performance incentives
- long-term incentives through participation in ParagonCare Equity Incentive Plan (EIP)

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

Base pay and benefits

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

Short-term incentives

The short-term incentives ('STI') program is designed to align the targets of the Consolidated Group and business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. Among others, KPI's may include profit contribution, customer satisfaction, leadership contribution, and product management.

Prior to the completion of the reverse acquisition CH2 Holdings had a STI program in place under which STI payments were granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. Among others, KPIs included profit contribution and leadership contribution. Specifically, in relation to the reverse acquisition certain executives received discretionary bonus payments for the successful completion of the transaction.

Long-term incentives

The long-term incentives ('LTI') include share-based payments offered in the form of performance rights that are awarded to key management personnel and other eligible employees. Performance rights are granted over a period of three years with conditions over continuous employment and a minimum share price hurdle being achieved during term of the performance rights.

On 3 June 2024 prior to the completion of reverse acquisition ParagonCare shareholders formally approved to waive the vesting conditions related to all outstanding performance rights on issue under the LTI. Consequently 43,913,138 performance rights that remained on foot on 3 June 2024 vested immediately and converted to ordinary shares of ParagonCare. There were no LTIs issued post reverse acquisition period and none outstanding as at 30 June 2024.

Prior to the completion of the reverse acquisition CH2 Holdings did not have a LTI program in place and no LTIs were granted to the employees.

Use of remuneration consultants

During the financial year the Group did not engage remuneration consultants.

Nomination and Remuneration Committee established protocols when using remuneration consultants to ensure that the remuneration recommendations are free from undue influence from key management personnel. These protocols include requiring that the consultant not communicate with affected key management personnel without a member of the Nomination and Remuneration Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence.

Voting and comments made at the Company's 21 November 2023 Annual General Meeting ('AGM')

At the 21 November 2023 AGM 86.47% of the votes received supported the adoption of the remuneration report of ParagonCare for the year ended 30 June 2023. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration 2024

Key management personnel remuneration of the Consolidated Group for the year ended 30 June 2024 represent the following:

- Key management personnel remuneration for the period from 1 July 2023 to 30 June 2024 covering all directors and other key management personnel of the CH2 Holdings as disclosed in the introduction to the remuneration report.
- Key management personnel remuneration for the period from 4 June 2024 to 30 June 2024 covering all directors and other key management personnel of the Consolidated Group (*post-reverse acquisition*).

	Salary and fees ⁽ⁱ⁾	Short-term benefits Bonus ⁽ⁱⁱ⁾	Non- monetary benefits ⁽ⁱⁱⁱ⁾	Termination benefits ^(iv)	Post employment benefits Super- annuation	Long-term benefits Long service leave ^(v)	Share based payments	Total
30 June 2024	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:								
Peter Lacaze	114,561	-	-	-	12,602	-	-	127,163
Graeme Stubbs	86,083	-	-	7,826	10,330	-	-	104,239
Alan McCarthy	6,250	-	-	-	-	-	-	6,250
Executive Directors:								
David Collins	603,472	-	152,389	-	27,500	12,861	-	796,222
Carmen Riley ^(vi)	501,625	3,121,682	-	-	27,500	7,933	-	3,658,740
John Walstab	43,967	12,833	-	-	-	729	-	57,529
Other Key Management Personnel:								
Michael Peters	35,217	-	-	-	3,874	583	-	39,674
	<u>1,391,175</u>	<u>3,134,515</u>	<u>152,389</u>	<u>7,826</u>	<u>81,806</u>	<u>22,106</u>	<u>-</u>	<u>4,789,817</u>

(i) Annual leave entitlements are measured on an accrual basis and included within the 'Salary and fees' column above.

(ii) Bonus payments represent the estimated amounts accrued at the end of the financial year including the applicable fringe benefits tax. Actual amounts paid may vary and are subject to the KPI achievements and Board approvals.

(iii) Includes accommodation, motor vehicle costs and applicable fringe benefits tax payable on benefits.

(iv) Termination benefits represent 3-months salaries and fees or amounts mutually agreed between the key management personnel and the Consolidated Group.

(v) Long service leave entitlements are measured on an accrual basis.

(vi) Short-term bonus payments for Carmen Riley during the year were one-off payments, approved and paid for achievement of KPIs with payments being made prior to the completion of the reverse acquisition.

CH2 Holdings was *not a disclosing entity* and consequently was not required to prepare a remuneration report pursuant to the *Corporations Act* and *Corporations Regulations* for the year ended 30 June 2023. Therefore, comparative information related to CH2 Holdings' key management personnel for the period from 1 July 2022 to 30 June 2023 is *not* presented in this remuneration report.

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

	30 June 2024		
	Fixed Remuneration	At risk - STI	At risk - LTI
Non-Executive Directors:			
Peter Lacaze	100.00%	-	-
Graeme Stubbs	100.00%	-	-
Alan McCarthy	100.00%	-	-
Executive Directors:			
David Collins	-	-	-
Carmen Riley	100.00%	-	-
John Walstab	15.00%	85.00%	-
	78.00%	22.00%	-
Other Key Management Personnel:			
Michael Peters	-	-	-
	100.00%	-	-

Additional key management personnel remuneration disclosures

Key management personnel remuneration of ParagonCare 2024

The following table includes remuneration of key management personnel of ParagonCare for the period from 1 July 2023 to 3 June 2024 (*pre-reverse acquisition period*).

	Salary and fees ⁽ⁱ⁾	Short-term benefits			Post employment benefits	Long-term benefits	Share based payments ^(v)	Total
		Bonus ⁽ⁱⁱ⁾	Non-monetary benefits	Termination ⁽ⁱⁱⁱ⁾	Super-annuation	Long service leave ^(iv)		
30 June 2024	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:								
Shane Tanner	137,500	-	-	37,500	-	-	-	175,000
Geoffrey Sam OAM	61,939	-	-	16,892	8,671	-	-	87,502
Brent Stewart	68,750	-	-	18,750	-	-	-	87,500
Alan McCarthy	68,750	-	-	-	-	-	-	68,750
Executive Directors:								
John Walstab	467,791	187,550	-	-	27,399	8,022	10,957,094	11,647,856
Mark Hooper	294,381	-	-	455,271	13,699	-	1,611,189	2,374,540
Other Key Management Personnel:								
Phillip Nicholl	472,978	-	-	216,640	34,882	8,600	1,190,570	1,923,670
Josie De Martino	305,027	-	-	202,789	26,867	-	498,362	1,033,045
Michael Peters ^(vi)	228,520	-	-	-	-	-	-	228,520
	<u>2,105,636</u>	<u>187,550</u>	<u>-</u>	<u>947,842</u>	<u>111,518</u>	<u>16,622</u>	<u>14,257,215</u>	<u>17,626,383</u>

Paragon Care Limited
Remuneration report
30 June 2024



- (i) Annual leave entitlements are measured on an accrual basis and included within the 'Salary and fees' column above.
- (ii) Bonus payments represent the estimated amounts accrued at the end of the financial year. Actual amounts paid may vary and are subjects to the KPI achievements and Board approvals.
- (iii) Termination benefits represent salaries and fees or amounts mutually agreed between the key management personnel and the Consolidated Group. Refer section titled 'Service agreements' below for details regarding the notice periods applicable for the current and former KMPs.
- (iv) Long service leave entitlements are measured on an accrual basis.
- (v) Share based payments represent the fair values of performance rights granted to the key management personnel as per long-term incentive plan. At the EGM held on 3 June 2024 ParagonCare shareholders formally approved to waive continuous employment as well as share price vesting conditions attaching to all performance rights on issue at that date. Consequently, all the performance rights issued to key management personnel vested immediately and converted to ordinary shares on 3 June 2024. The amounts in the remuneration table includes the remaining fair values and incremental fair values of the performance rights recognised under AASB2 Share Based Payments on 3 June 2024 when the terms were modified.
- (vi) Michael Peters was appointed as interim CFO on 21 May 2024 and permanent CFO on 3 June 2024. The above amounts include consulting fees of \$228,520 paid to MPeters Pty Ltd, an entity associated with Michael.

Key management personnel remuneration of ParagonCare 2023

The following table include comparative remuneration details of ParagonCare key management personnel for the year ended 30 June 2023.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Salary and fees ⁽ⁱ⁾	Bonus ⁽ⁱⁱ⁾	Non-monetary benefits	Super-annuation	Long service leave ⁽ⁱⁱⁱ⁾	Performance Rights ^(iv)	Equity shares ^(iv)	Total
30 June 2023	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:								
Shane Tanner	150,000	-	-	-	-	-	-	150,000
Geoffrey Sam OAM	68,213	-	-	6,788	-	-	-	75,001
Brent Stewart	75,000	-	-	-	-	-	-	75,000
Mark Simari	31,250	-	-	-	-	-	-	31,250
Alan McCarthy	75,000	-	-	-	-	-	-	75,000
Executive Directors:								
Mark Hooper	854,458	230,934	-	25,292	14,241	20,597	382,500	1,528,022
John Walstab	495,925	333,000	-	25,292	7,495	53,486	-	915,198
Other Key Management Personnel:								
Phillip Nicholl	504,008	63,000	-	25,292	8,400	128,208	-	728,908
Stephen Munday ^(v)	242,720	-	-	28,026	-	4,426	-	275,172
Josie De Martino	296,031	56,700	-	18,969	6,579	26,167	-	404,446
	<u>2,792,605</u>	<u>683,634</u>	<u>-</u>	<u>129,659</u>	<u>36,715</u>	<u>232,884</u>	<u>382,500</u>	<u>4,257,997</u>

- (i) Annual leave entitlements are measured on an accrual basis and included within the 'Salary and fees' column above.
- (ii) Bonus payments represent the estimated amounts accrued at the end of the financial year. The amounts reported above have been restated from a total of \$183,905 due to previously reported as actual payments throughout the year and not accruals based.
- (iii) Long service leave entitlements are measured on an accrual basis. The amounts reported above have been restated due to previously reported as actual payments throughout the year and not accruals based.
- (iv) Share based payments represent the fair values of shares and performance rights granted to the key management personnel as per long-term incentive plan.
- (v) Resigned on 31 December 2022.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Non-Executive Directors:						
Alan McCarthy	100%	100%	-	-	-	-
Shane Tanner	100%	100%	-	-	-	-
Geoffrey Sam OAM	100%	100%	-	-	-	-
Brent Stewart	100%	100%	-	-	-	-
Mark Simari	-	100%	-	-	-	-
Executive Directors:						
John Walstab	4%	58%	2%	36%	94%	6%
Mark Hooper	32%	59%	-	15%	68%	26%
Other Key Management Personnel:						
Michael Peters	100%	-	-	-	-	-
Phillip Nicholl	38%	73%	-	9%	62%	18%
Josie De Martino	52%	80%	-	14%	48%	6%
Stephen Munday	-	98%	-	-	-	2%

Service agreements

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

Current key management personnel

Name:	Peter Lacaze
Title:	Chairman
Term of agreement:	3 years from the appointment date
Details:	Director fees including superannuation \$150,000
Name:	Alan McCarthy
Title:	Non-Executive Director
Term of agreement:	No fixed term
Details:	Director fees including superannuation \$75,000
Name:	David Collins
Title:	CEO and Managing Director
Term of agreement:	No fixed term, notice period of 12 months for both the employee and the Company
Details:	Salary including superannuation \$800,000 STI 50% of remuneration per annum on achievement of KPIs LTI (shares and performance rights) entitlements are granted in accordance with EIP approved by the Board
Name:	Carmen Riley
Title:	Chief Operating Officer/Executive Director
Term of agreement:	No fixed term, notice period of 6 months for both the employee and the Company
Details:	Salary including superannuation \$582,500 STI 50% of remuneration per annum on achievement of KPIs LTI (shares and performance rights) entitlements are granted in accordance with EIP approved by the Board
Name:	John Walstab
Title:	Executive Director
Term of agreement:	No fixed term, notice period of 3 months for the employee and 6 months for the Company
Details:	Salary including superannuation \$555,000 STI 40% of remuneration per annum on achievement of KPIs LTI (shares and performance rights) entitlements are granted in accordance with EIP approved by the Board

Name: Michael Peters
Title: Chief Financial Officer (resigned 6 September 2024)
Term of agreement: No fixed term, notice period 3 months for employee and 3 months for the Company
Details: Salary including superannuation \$450,000
STI 40% of remuneration per annum on achievement of KPIs
LTI (shares and performance rights) entitlements are granted in accordance with EIP approved by the Board

Former key management personnel

Name: Phillip Nicholl
Title: Executive General Manager, ParagonCare ANZ (Resigned on 1 July 2024)
Term of agreement: No fixed term, notice period of 6 months for employee and 6 months for company
Details: Salary including superannuation \$543,375.
STI 40% of remuneration per annum on achievement of KPI's
LTI 40% of remuneration per annum on achievement of KPI's

Name: Mark Hooper
Title: Chief Executive Officer and Group Managing Director (Resigned on 31 October 2023)
Term of agreement: No fixed term, notice period of 3 months for employee and 12 months for company
Details: Salary including superannuation \$910,541. 12 months' notice payable as termination benefit.
STI: 75% of fixed remuneration, subject to continued employment and performance
LTI: 75% of fixed remuneration, subject to the EIP rules

Name: Shane Tanner
Title: Non-Executive Chairman (resigned on 4 June 2024)
Term of agreement: No fixed term
Details: Director fees including superannuation \$150,000

Name: Geoffrey Sam OAM
Title: Non-Executive Director (resigned on 4 June 2024)
Term of agreement: No fixed term, no notice period required for termination
Details: Director fees including superannuation \$75,000

Name: Brent Stewart
Title: Non-Executive Director (resigned on 4 June 2024)
Term of agreement: No fixed term
Details: Director fees including superannuation \$75,000

Name: Graeme Stubbs
Title: Non-Executive Director (resigned on 3 June 2024)
Term of agreement: No fixed term
Details: Director fees including superannuation \$104,239

Name: Josephine De Martino
Title: Chief Financial Officer (resigned on 21 May 2024)
Term of agreement: No fixed term, notice period of 6 months for employee and 6 months for company
Details: Salary including superannuation \$434,700.
STI 40% of remuneration per annum on achievement of KPI's
LTI 40% of remuneration per annum on achievement of KPI's

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

Share-based compensation

Issue of shares

At the EGM held on 3 June 2024 ParagonCare shareholders formally approved to waive the vesting conditions related to all outstanding performance rights on issue under the ParagonCare Employee Incentive Plan. Consequently 43,913,138 performance rights that remained on foot on 3 June 2024 vested immediately and converted to ordinary shares of ParagonCare (30 June 2023: 1,500,000).

Performance rights

As noted in the "Long-term incentives" section of the remuneration report there were no LTIs issued post reverse acquisition period and none outstanding as at 30 June 2024.

The information in the tables below represents the performance rights issued by ParagonCare prior to the completion of reverse acquisition. These performance rights are relevant for the remuneration of ParagonCare key management personnel, vested and converted to ordinary shares of ParagonCare.

Name	Number of rights granted	Grant date	Vesting and exercisable date	Expiry date	Vesting hurdle at grant date	Fair value per right at grant date ⁽ⁱ⁾
Josephine De Martino	463,439	1 July 2023	30 June 2024	30 June 2026	\$0.35	\$0.2922
	463,439	1 July 2023	30 June 2025	30 June 2026	\$0.45	\$0.2133
	463,438	1 July 2023	30 June 2026	30 June 2026	\$0.55	\$0.2002
Phillip Nicholl	579,298	1 July 2023	30 June 2024	30 June 2026	\$0.35	\$0.2922
	579,298	1 July 2023	30 June 2025	30 June 2026	\$0.45	\$0.2133
	579,298	1 July 2023	30 June 2026	30 June 2026	\$0.55	\$0.2002
John Walstab	524,127	21 November 2023	30 June 2024	30 June 2026	\$0.35	\$0.2922
	524,127	21 November 2023	30 June 2025	30 June 2026	\$0.45	\$0.2133
	524,126	21 November 2023	30 June 2026	30 June 2026	\$0.55	\$0.2002
John Walstab ⁽ⁱⁱ⁾	7,000,000	18 September 2023	30 June 2024	30 June 2026	\$0.35	\$0.3900
	7,000,000	18 September 2023	30 June 2025	30 June 2026	\$0.45	\$0.3900
	12,000,000	18 September 2023	30 June 2026	30 June 2026	\$0.55	\$0.3900
Mark Hooper	1,306,352	1 July 2022	30 June 2023	30 June 2025	\$0.35	\$0.1570
	1,306,352	1 July 2022	30 June 2024	30 June 2025	\$0.45	\$0.1630
	1,306,353	1 July 2022	30 June 2025	30 June 2025	\$0.55	\$0.1680
John Walstab	340,676	1 July 2022	30 June 2023	30 June 2025	\$0.35	\$0.1570
	340,676	1 July 2022	30 June 2024	30 June 2025	\$0.45	\$0.1630
	340,677	1 July 2022	30 June 2025	30 June 2025	\$0.55	\$0.1800
Josephine De Martino	166,667	1 July 2022	30 June 2023	30 June 2025	\$0.35	\$0.1570
	166,667	1 July 2022	30 June 2024	30 June 2025	\$0.45	\$0.1630
	166,666	1 July 2022	30 June 2025	30 June 2025	\$0.55	\$0.1800
Phillip Nicholl	450,368	28 September 2021	30 June 2022	30 September 2024	\$0.35	\$0.1340
	450,368	28 September 2021	30 June 2023	30 September 2024	\$0.45	\$0.1360
	450,367	28 September 2021	30 June 2024	30 September 2024	\$0.55	\$0.1380
	376,537	1 July 2022	30 June 2023	30 June 2025	\$0.35	\$0.1570
	376,537	1 July 2022	30 June 2024	30 June 2025	\$0.45	\$0.1630
	376,537	1 July 2022	30 June 2025	30 June 2025	\$0.55	\$0.1800

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel of ParagonCare as part of compensation prior to reverse acquisition are set out below:

Name	Number of rights granted during the year Units 30 June 2024	Value of rights granted during the year \$ 30 June 2024	Number of rights vested during the year Units ^{(i), (ii)} 2024	Value of rights vested during the year \$ 2024
John Walstab	27,572,380	10,957,094	28,594,409	10,997,209
Mark Hooper	-	-	3,919,056	1,765,012
Josephine De Martino	1,390,316	498,362	1,890,316	517,987
Phillip Nicholl	1,737,894	1,190,570	4,218,608	1,341,460
	30,700,590	12,646,026	38,622,389	14,621,668

- (i) On 3 June 2024 ParagonCare shareholders formally approved to waive continuous employment as well as share price vesting conditions related to all outstanding performance rights on issue, under the ParagonCare Employee Incentive Plan. Consequently 17,913,138 performance rights that remained on foot at 3 June 2024 vested immediately and converted to ordinary shares of ParagonCare. ParagonCare re-measured the fair values of these rights at \$0.325 (*per right*) based on the ParagonCare share price at the time of modification being 2 May 2024. This resulted in incremental share-based payment expenses of \$3,632,652 being recognised by ParagonCare.
- (ii) On 18 September 2023 Mr John Walstab was granted 26,000,000 performance rights as long term incentives as part of appointment as CEO and Managing Director of ParagonCare. These performance rights were formally approved by the ParagonCare shareholders at the EGM held on 3 June 2024. ParagonCare measured these rights at \$0.39 (*per right*) based on the ParagonCare share price at the time of approval and recognised share-based payment expenses of \$10,140,000.

Performance rights granted carry no dividend or voting rights.

Additional information

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

	2024 ⁽ⁱ⁾	2023 ⁽ⁱⁱ⁾	2022 ⁽ⁱⁱ⁾	2021 ⁽ⁱⁱ⁾	2020 ⁽ⁱⁱ⁾
Share price at financial year end (cents per share)	44.00	23.50	28.00	26.50	19.00
Total dividends declared (cents per share)	-	0.60	1.20	1.00	-
Basic earnings per share (cents per share)	0.90	1.36	1.34	2.45	(22.87)

(i) The amounts for the year ended 30 June 2024 represent the Consolidated Group.

(ii) The amounts for the years ended 30 June 2023, 2022, 2021 and 2020 represent the ParagonCare only.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Additions	Conversion of performance rights	Other ⁽ⁱⁱ⁾	Balance at the end of the year
Ordinary shares					
Current directors	-	-	-	-	-
Peter Lacaze ⁽ⁱ⁾	-	471,762,036	-	-	471,762,036
David Collins ⁽ⁱ⁾	-	471,762,036	-	-	471,762,036
Carmen Riley ⁽ⁱ⁾	-	200,000	-	-	200,000
Alan McCarthy	-	-	-	-	-
John Walstab	125,075,109	4,921,213	28,594,409	-	158,590,731
Current executives	-	-	-	-	-
Michael Peters	-	-	-	-	-
Former directors	-	-	-	-	-
Shane Tanner	1,250,000	49,228	-	(1,299,228)	-
Geoffrey Sam OAM	2,568,139	89,460	-	(2,657,599)	-
Brent Stewart	3,581,186	140,987	-	(3,722,173)	-
Mark Hooper	6,414,347	-	3,919,057	(10,333,404)	-
Graeme Stubbs	-	-	-	-	-
Former executives	-	-	-	-	-
Josephine De Martino	-	-	1,890,316	(1,890,316)	-
Phillip Nicholl	2,561,443	-	4,218,608	(6,780,051)	-
	141,450,224	948,924,960	38,622,390	(26,682,771)	1,102,314,803

(i) Represent interest in shares at date of appointment as a key management personnel.

(ii) Represent shares held by key management personnel at the date ceasing to be a key management personnel.

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested converted	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Current directors	-	-	-	-	-
Peter Lacaze	-	-	-	-	-
David Collins	-	-	-	-	-
Carmen Riley	-	-	-	-	-
Alan McCarthy	-	-	-	-	-
John Walstab	1,022,029	27,572,380	(28,594,409)	-	-
Current executives	-	-	-	-	-
Michael Peters	-	-	-	-	-
Former directors	-	-	-	-	-
Shane Tanner	-	-	-	-	-
Geoffrey Sam OAM	-	-	-	-	-
Brent Stewart	-	-	-	-	-
Mark Hooper	3,919,057	-	(3,919,057)	-	-
Graeme Lyle Stubbs	-	-	-	-	-
Former executives	-	-	-	-	-
Josephine De Martino	500,000	1,390,316	(1,890,316)	-	-
Phillip Nicholl	2,828,725	1,737,894	(4,218,608)	(348,011)	-
	8,269,811	30,700,590	(38,622,390)	(348,011)	-

Other transactions with key management personnel and their related parties

Consolidated
30 June 2024 30 June 2023
\$ \$

The following transaction with close members of the family of Mr John Walstab:

Salaries paid and payable	402,960	-
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- (i) Salaries and wages amount was for the period from 1 July 2023 to 30 June 2024. This amount includes a component from 1 July 2023 to 3 June 2024 of \$375,806 incurred by ParagonCare prior to the reverse acquisition.
- (ii) Terms and conditions of the transactions with close members of the family of the KMP were based on terms approved by the Board.

In May 2024 CH2 Holdings sold an investment in Aero Travel Solutions Pty Ltd for \$3,198,000 (to David Collins for \$1,599,400 and Peter Lacaze for \$1,599,400 (key management personnel and former shareholders)), and the Consolidated Group recognised a gain of \$198,800 on divestment.

Loans to directors and executives

There were no loans to the Executives and Non-Executive Directors during the financial year ended 30 June 2024.

This Report has been audited under section 308(3C) of the Corporations Act 2001.

On behalf of the directors



Peter Lacaze
Chairman, Nomination and Remuneration Committee

24 September 2024

For personal use only

Paragon Care Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024



		Consolidated	
	Note	30 June 2024	30 June 2023
		\$'000	\$'000
Revenue			
Revenue	5	2,969,885	2,187,345
Cost of goods sold	5	(2,793,353)	(2,055,589)
Gross profit		176,532	131,756
Other income	6	227	-
Interest income		1,627	183
Expenses			
Warehousing and distribution expenses		(41,069)	(32,581)
Employee benefits expenses	7	(71,186)	(49,837)
Administration expenses	7	(21,369)	(8,103)
Depreciation and amortisation expenses	7	(14,468)	(12,180)
Finance costs	8	(16,241)	(10,884)
Profit before income tax expense		14,053	18,354
Income tax expense	9	(5,672)	(5,556)
Profit after income tax expense for the year attributable to the owners of Paragon Care Limited		8,381	12,798
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain on defined benefit plans, net of tax		(25)	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(300)	-
Other comprehensive income for the year, net of tax		(325)	-
Total comprehensive income for the year attributable to the owners of ParagonCare		8,056	12,798
		Cents	Cents
Basic earnings per share	42	0.90	1.36
Diluted earnings per share	42	0.90	1.36

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

Paragon Care Limited
Statement of financial position
As at 30 June 2024



		Consolidated	
	Note	30 June 2024	30 June 2023
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	10	19,944	970
Trade and other receivables	11	346,303	209,875
Inventories	12	270,241	182,406
Derivative financial instruments	13	719	-
Other assets	14	41,598	35,210
Total current assets		678,805	428,461
Non-current assets			
Trade and other receivables	11	1,500	-
Other assets	14	8,796	-
Equity investments	15	-	3,000
Investment properties	16	2,130	-
Property, plant and equipment	18	28,307	9,427
Right-of-use assets	17	43,732	26,438
Goodwill and other intangible assets	19	349,472	25,111
Deferred tax	9	18,146	-
Total non-current assets		452,083	63,976
Total assets		1,130,888	492,437
Liabilities			
Current liabilities			
Trade and other payables	20	553,129	374,095
Contract liabilities	21	9,479	-
Borrowings	22	106,665	64,359
Lease liabilities	23	10,089	7,267
Derivative financial instruments	13	334	-
Income tax payable	9	5,101	145
Employee benefits	24	16,421	4,976
Vendor conditional payables	25	699	-
Total current liabilities		701,917	450,842
Non-current liabilities			
Contract liabilities	21	138	-
Borrowings	22	89,897	-
Lease liabilities	23	45,175	21,538
Deferred tax	9	-	957
Employee benefits	24	1,343	220
Vendor conditional payables	25	500	-
Total non-current liabilities		137,053	22,715
Total liabilities		838,970	473,557
Net assets		291,918	18,880
Equity			
Issued capital	26	328,488	50,893
Reserves	27	(325)	-
Accumulated losses		(36,245)	(32,013)
Total equity		291,918	18,880

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

Paragon Care Limited
Statement of changes in equity
For the year ended 30 June 2024



Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	50,893	-	(38,284)	12,609
Profit after income tax expense for the year	-	-	12,798	12,798
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	12,798	12,798
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 28)	-	-	(6,527)	(6,527)
Balance at 30 June 2023	50,893	-	(32,013)	18,880
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2023	50,893	-	(32,013)	18,880
Profit after income tax expense for the year	-	-	8,381	8,381
Other comprehensive income for the year, net of tax	-	(325)	-	(325)
Total comprehensive income for the year	-	(325)	8,381	8,056
<i>Transactions with owners in their capacity as owners:</i>				
Issue of equity (note 26)	277,595	-	-	277,595
Dividends paid (note 28)	-	-	(12,613)	(12,613)
Balance at 30 June 2024	328,488	(325)	(36,245)	291,918

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

Paragon Care Limited
Statement of cash flows
For the year ended 30 June 2024



		Consolidated	
	Note	30 June 2024	30 June 2023
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,175,060	2,389,357
Payments to suppliers and employees (inclusive of GST)		(3,111,029)	(2,352,231)
		64,031	37,126
Interest received		1,575	-
Interest and other finance costs paid		(14,656)	(9,831)
Interest paid on lease liabilities		(1,585)	(1,053)
Income taxes paid		(4,913)	(3,877)
Net cash from operating activities	40	44,452	22,365
Cash flows from investing activities			
Cash acquired as part of the reverse acquisition	36	21,522	-
Cash consideration for the acquisition of OHS, net of cash acquired	36	(25,063)	-
Payments for investments		-	(3,000)
Payments for property, plant and equipment		(6,779)	(4,371)
Payments for intangibles	19	(12,538)	(5,363)
Proceeds from disposal of investments		3,199	-
Proceeds from disposal of property, plant and equipment		134	-
Net cash used in investing activities		(19,525)	(12,734)
Cash flows from financing activities			
Proceeds from borrowings	41	3,189,449	2,629,652
Dividends paid	28	(12,613)	(4,476)
Repayment of borrowings	41	(3,174,808)	(2,627,883)
Repayment of lease liabilities	41	(7,981)	(7,008)
Net cash used in financing activities		(5,953)	(9,715)
Net increase/(decrease) in cash and cash equivalents		18,974	(84)
Cash and cash equivalents at the beginning of the financial year		970	1,054
Cash and cash equivalents at the end of the financial year	10	19,944	970

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

Note 1. General information

The financial statements cover Paragon Care Limited as a Group consisting of Paragon Care Limited ('Company', 'parent entity' or 'ParagonCare') and the entities it controlled at the end of, or during, the year. Paragon Care Limited and its subsidiaries together are referred to in these financial statements as the 'Group'. The financial statements are presented in Australian dollars, which is ParagonCare's functional and presentation currency.

ParagonCare is a listed public company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX'). Its registered office and principal place of business is:

Registered office and principal place of business

77-97 Ricketts Road
Mount Waverley
VIC 3149

The principal continuing activities of the Group during the year were the supply of durable medical equipment, medical devices, consumable medical products, and maintenance of technical medical equipment to the health, aged care and veterinary markets throughout Australia, New Zealand and Asia, as well as the distribution of pharmaceuticals, medical consumables, and complementary medicines to the Australian healthcare market.

The financial statements were authorised for issue in accordance with a resolution of directors on 24 September 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

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

Basis of preparation

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

Reverse acquisition

On 3 June 2024 Paragon Care Limited (ParagonCare) completed the 100% acquisition of CH2 Holdings Pty Limited and its controlled entities (collectively, 'CH2 Holdings'). This acquisition has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3 Business Combinations (AASB3) which has been supported by the change in the Board composition of ParagonCare with the majority of directors nominated by CH2 Holdings shareholders (who collectively hold 57% shareholding and voting rights in the Group), key management positions (CEO & Managing Director and Chief Operating Officer) held by the previous executives of CH2 Holdings and the relative size of the two businesses.

The application of the reverse acquisition guidance contained in AASB3 has resulted in ParagonCare (legal parent) being accounted for as the accounting acquiree and CH2 Holdings (legal subsidiary) being accounted for as the accounting acquirer. Consequently, information presented in this report, including comparative information, represents a continuation of the financial statements of CH2 Holdings, with the exception of the issued capital. The results for the year ended 30 June 2024 comprise the results of CH2 Holdings for the full year and the results of ParagonCare subsequent to the completion of the acquisition. The comparative information presented in the consolidated financial statements is that of the CH2 Holdings for the year ended 30 June 2023.

The impact of the reverse acquisition on each of the primary statements is as follows:

Note 2. Material accounting policy information (continued)

- *Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of Changes in Equity and Consolidated statement of Cash Flows*

The consolidated statements for the year ended 30 June 2024 comprise:

- the results of CH2 Holdings from 1 July 2023 to 30 June 2024;
- the results of ParagonCare from 3 June 2024 (date of acquisition) to 30 June 2024

The comparative information presented in the consolidated statements is that of the CH2 Holdings for the year ended 30 June 2023.

- *Consolidated statement of financial position*

The consolidated statement of financial position as at 30 June 2024 represents the consolidated position of the Group

The comparative information presented in the consolidated statements is that of the CH2 Holdings as at 30 June 2023.

Refer note 36 for further details of the reverse acquisition.

CH2 Holdings resuming application of Australian Accounting Standards (AAS) Tier 1 reporting requirements

As noted in the *reverse acquisition* note above, the consolidated financial statements represent the continuation of accounting acquirer, CH2 Holdings.

CH2 Holdings applied AAS Tier 2 reporting requirements in preparing consolidated financial statements for the year ended 30 June 2023. The consolidated financial statements for the year ended 30 June 2024 represent the continuation of accounting acquirer, CH2 Holdings. In resuming application of Tier 1 reporting requirements, CH2 Holdings has retrospectively applied AAS as if it had never stopped applying AAS. Resuming application of Tier 1 reporting requirements by CH2 Holdings has no material impact on CH2's previous consolidated financial statements, as these consolidated financial statements were prepared in compliance with the recognition and measurement requirements of AAS.

The consolidated financial statements for the year ended 30 June 2024 have been prepared and presented in compliance with Australian Accounting Standards. Where appropriate, the comparative information have been retrospectively updated to comply with the disclosure requirements of Australian Accounting Standards in all respects.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, investment properties and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the financial statements, are disclosed in note 3.

Functional and presentation currency

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

Rounding of amounts

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

Note 2. Material accounting policy information (continued)

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. There is a current asset deficiency due to the classification of a bank loan as a current liability (refer note 22). Having reviewed the current performance, forecasts, debt servicing requirements and risks, at the time of approving the consolidated financial statements, the directors are satisfied that the Group is able to meet its commitments as and when they fall due and continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Parent entity information

In accordance with the *Corporations Act 2001* these financial statements present the results of the Group only. Supplementary information about the parent entity (ParagonCare) is disclosed in note 38.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ParagonCare as at 30 June 2024 and the results of all subsidiaries for the year then ended.

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

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

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

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 Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 2. Material accounting policy information (continued)

Operating segments

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 Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

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

Foreign operations

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

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

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits.
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

ParagonCare (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach which involves the calculation of current and deferred taxes for each entity in the tax-consolidated group on the basis that the entity is subject to tax as part of the tax consolidated group.

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

Note 2. Material accounting policy information (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Other loans receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

For trade and other receivables the Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. The Group determines expected credit losses for groups of trade receivables with shared credit risk characteristics. Groupings are based on customer and days overdue over the trading term. An ECL rate is determined based on the historic credit loss rates for the Group, adjusted for other current observable data that may materially impact the Group's future credit risk. This other observable data includes specific factors in relation to each debtor or general economic conditions of the industry in which the debtors operate. Irrespective of this analysis the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable basis that a more lagging default criterion is more appropriate.

For the other loans receivable when there has been a significant increase in credit risk since the initial recognition of the financial asset the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance, or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The gross carrying amount of a financial asset is written off when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the financial asset.

Note 2. Material accounting policy information (continued)

Customer acquisition costs

Customer acquisition costs represent amounts paid by the Group to customers to entice the customers to purchase, or continue purchasing its goods or services. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

The amortisation of customer acquisition costs are presented in the statement of profit or loss and other comprehensive income as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. If the consideration payable to a customer includes a variable amount the Group estimates the transaction price (including assessing whether the estimate of variable consideration is constrained).

Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value basis. Cost includes the cost of bringing the inventory to its condition and location for sale and includes freight, supplier rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Financial assets at fair value through profit or loss

The financial assets and liabilities recorded at fair value by the Group are forward foreign exchange contracts, which are primarily obtained to hedge certain risk exposures arising from the Group's operations. These financial assets and liabilities are initially measured at fair value at the date a contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Group. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured periodically at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Property, plant and equipment

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

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

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

Note 2. Material accounting policy information (continued)

Leasehold improvements	3-15 years or lease term (<i>whichever is lower</i>)
Motor vehicles	5 years
Plant and equipment	3-10 years
Computer equipment	3-5 years
Furniture and fittings	3-10 years
Office equipment	1-8 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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

Capital work-in-progress (WIP)

Costs arising directly from capital WIP are recognised as an asset and are not depreciated. The costs are transferred to the relevant class of property, plant and equipment from the time the asset is held ready for use on a commercial basis.

Right-of-use assets

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

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

Right-of-use assets that meet the definition of investment property are measured at fair value where the Group has adopted a fair value measurement basis for investment property assets.

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill 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.

Website

Material costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 2. Material accounting policy information (continued)

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 6 to 14 years.

Software development

Software development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised software development costs are amortised on a systematic basis matched to the future economic benefit over the useful life of the software.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial asset or liability and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred. Finance costs comprise interest payable on borrowings net of ancillary debt issue costs incurred with the arrangement of borrowings, calculated using effective interest rate method.

Lease liabilities

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

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

Note 2. Material accounting policy information (continued)

Provisions

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

Employee benefits

Short-term incentives

In each full year of employment short term incentives in the form of cash bonuses are paid to selected positions based on agreed targets established at the commencement of the financial year. Achievement of pre-determined key performance indicators are assessed at the end of the period with payments based on Company discretion and demonstrated performance and STI rules.

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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Termination benefits are recognised when a detailed plan of termination has been communicated to affected employees. They are measured as short-term employee benefits when expected to be settled wholly within 12 months of the reporting date or as long-term benefits when not expected to be settled within 12 months of the reporting date.

Incentive plans

A provision is recognised for the amount expected to be paid under short-term or long-term incentive plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Superannuation

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

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

Note 2. Material accounting policy information (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 Group or employee the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

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

Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is material to the fair value measurement.

For recurring and non-recurring fair value measurements external valuers may be used when internal expertise is either not available or when the valuation is deemed to be material. External valuers are selected based on market knowledge and reputation. Where there is a material change in fair value of an asset or liability from one period to another an analysis is undertaken which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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

Note 2. Material accounting policy information (continued)

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

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

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Business combinations

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

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

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

Where the business combination is achieved in stages the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

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

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

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Note 2. Material accounting policy information (continued)

Revenue recognition

The Group recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The transaction price allocated to the performance obligation is based on stand-alone selling pricing, taking into returns, trade discounts, allowances, rebates and impairment.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a material reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods. The Group considers that the point of satisfaction of the performance obligation is the point of delivering goods or acceptance of equipment. Revenue recognises is net of settlement credits (including customer rebates and discounts) and a provision for returns. Under the Group's standard terms with customers, product returns and refunds are in accordance with local requirements. Accumulated experience has been used to determine that such returns are not significant.

Service maintenance revenue

Revenue from service maintenance agreements is recognised over time as the services are rendered over the period of service maintenance agreements.

Consideration recognised is net of transaction price including customer rebates and discounts (and a provision for returns).

Extended warranty revenue

Equipment in limited circumstances sold with an extended warranty, which is considered to be a separate performance obligation for the purposes of recognising revenue. In this case the Group determines the relative stand-alone selling price (price at which an entity would sell the service separately) of the services underlying the performance obligation. Revenue from expected warranty is recognised over the time-period of the extended warranty.

Community service obligation (CSO) income

Income earned from the Government to fulfil minimum delivery requirements for specified medicines to pharmacies in accordance with the Community Pharmacy Agreement. CSO and NDSS income is recognised at the point of delivering goods.

Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 2. Material accounting policy information (continued)

Comparative financial information

Certain prior year amounts have been reclassified or restated for consistency with the current year presentation. These reclassifications or restatements had no effect on the reported results of operations.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the Group.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the Group. The following Accounting Standards and Interpretations are most relevant to the Group:

- (a) AASB7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- (b) AASB101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- (c) AASB108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- (d) AASB134, to identify material accounting policy information as a component of a complete set of financial statements; and
- (e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

AASB18 Presentation and Disclosure in Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2027. The standard replaces *AASB 101 Presentation of Financial Statements*, with many of the original disclosure requirements retained and there will be no impact on the recognition and measurement of items in the financial statements. But the standard will affect presentation and disclosure in the financial statements, including introducing five categories in the statement of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: 'Operating profit' and 'Profit before financing and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on grouping of information (aggregation and disaggregation), including whether to present this information in the primary financial statements or in the notes. The Group will adopt this standard from 1 July 2027. As at reporting date the Group has not completed an assessment on the impact of the standard but it is expected that there will be a material change to the layout of the statement of profit or loss and other comprehensive income.

AASB2020-1 Amendments to Australian Accounting Standards - Classifications of Liabilities as Current or Non-Current

The amendments are applicable to annual reporting periods beginning on or after 1 January 2024 and early adoption is permitted. This Standard amends AASB101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

AASB2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants

The amendments are applicable to annual reporting periods beginning on or after 1 January 2024 and early adoption is permitted. AASB2022-6 specified that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

Note 2. Material accounting policy information (continued)

AASB2022-5 Amendments to Australian Accounting standards - Lease Liability in a Sale and Leaseback

The amendments are applicable to annual reporting periods beginning on or after 1 January 2024 and early adoption is permitted. The Standard amends AASB16 Leases to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB15 Revenue from Contracts with Customers to be accounted for as a sale.

AASB16 already requires a seller-lessee to recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The amendments ensure that a similar approach is applied by also requiring a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognise any amount of the gain or loss related to the right of use it retains.

AASB2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements

The amendments are applicable to annual reporting periods beginning on or after 1 January 2024. AASB2023-1 requires the disclosure of information about an entity's supplier finance arrangements (also known as supply chain finance, payables finance or reverse factoring arrangements). The new disclosures are designed to enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. The amendments require an entity to disclose the terms and conditions of the arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes. At this time the application of the amendments is not expected to have a material impact on the Group. The Group will adopt this standard from its application date and where appropriate incorporate the additional disclosures required.

AASB2023-5 Amendments to Australian Accounting Standards - Lack of Exchangeability

The amendments are applicable to annual reporting periods beginning on or after 1 January 2025. The Standard amends AASB121 and AASB1 to require entities to apply a consistent approach to determining whether a currency is exchangeable into another currency and the spot exchange rate to use when it is not exchangeable. New disclosures are required to help users assess the impact of using an estimated exchange rate on the financial statements.

AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB10 and AASB128)

Amends AASB10 and AASB128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The mandatory application date of AASB2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2025 by AASB2021-7c.

IFRIC Agenda decisions in July 2024 – Disclosing revenue and expenses for reportable segments

In July 2024 the International Accounting Standards Board agreed to issue the Committee's final agenda decision on operating segments. The agenda decision clarifies what items of revenue and expense need to be disclosed for each reportable segment.

Note 3. Critical accounting judgements, estimates and assumptions

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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

Estimation and judgement is also required is utilised in measuring provisions for expected credit losses and determining whether the risk of default has increased significant since initial recognition of the other loans receivable. The Group considers both quantitative and qualitative information in determining the expected credit losses.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Group 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.

Impairment testing of goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

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

Business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. Judgements involved in determining the acquirer, acquiree and consideration transferred in reverse acquisition.

The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Identification of acquirer in a reverse acquisition

In relation to reverse acquisition judgment is required to assess the accounting acquirer. In performing this analysis consideration is given to the relative voting rights in the combined entity after the business combination, the existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest, the composition of the governing body of the combined entity, the composition of the senior management of the combined entity and the terms of the exchange of equity interests.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: ParagonCare and CH2. The operating segments are based on the reports that are reviewed and used by the CEO and Managing Director (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and to make strategic and operating decisions. There is no aggregation of operating segments, and for the year ended 30 June 2024, it was concluded that the Group operated in two segments being ParagonCare and CH2. As part of the integration activities for the ParagonCare and CH2 Holdings businesses, during FY25, the CODM will assess the future structure of the organisation and the financial information which will be relevant in assessing performance and to make strategic and operating decisions.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation), which is a non-IFRS financial information metric used as the primary measure for assessing financial performance. The CODM believes it assists in providing additional meaningful information for stakeholders. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

Types of products and services

The principal products and services of each of these operating segments are as follows:

ParagonCare	Segment incorporates a provider of medical equipment, devices and consumables to the healthcare markets.
CH2 Holdings	Segment incorporates distribution of pharmaceutical, medical consumables, nutritional and over the counter products to the healthcare market.

Intersegment transactions

Intersegment transactions were made at market rates and are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 30 June 2024 there were no major customers generating over 10% of revenue for the Group (30 June 2023: none)

Note 4. Operating segments (continued)

Operating segment information (continuing operations)

Consolidated - 30 June 2024	ParagonCare \$'000	CH2 Holdings \$'000	Total \$'000
Revenue			
Sales to external customers	30,080	2,939,805	2,969,885
Total revenue	30,080	2,939,805	2,969,885
EBITDA	4,859	39,903	44,762
Depreciation and amortisation			(14,468)
Finance costs			(16,241)
Profit before income tax expense			14,053
Income tax expense			(5,672)
Profit after income tax expense			8,381
Assets			
Segment assets	157,606	585,720	743,326
<i>Unallocated assets:</i>			
Cash and cash equivalents			19,944
Goodwill and other intangible assets			349,472
Deferred tax asset			18,146
Total assets			1,130,888
Liabilities			
Segment liabilities	96,174	541,133	637,307
<i>Unallocated liabilities:</i>			
Provision for income tax			5,101
Bank loans			196,562
Total liabilities			838,970

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	\$'000	\$'000	\$'000	\$'000
Australia	2,956,605	2,187,345	425,715	63,976
New Zealand	4,813	-	2,850	-
Asia	8,467	-	5,372	-
	<u>2,969,885</u>	<u>2,187,345</u>	<u>433,937</u>	<u>63,976</u>

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

Note 5. Revenue

5a - Revenue

Disaggregation of revenue

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

Note 5. Revenue (continued)

Major product lines

Medical equipment and consumables (ParagonCare)
Healthcare products (CH2 Holdings)

Consolidated	
30 June 2024	30 June 2023
\$'000	\$'000
30,080	-
2,939,805	2,187,345
<u>2,969,885</u>	<u>2,187,345</u>

Revenue from contracts with customers - Based on timing of revenue recognition

Goods transferred at a point in time
Services transferred over time

Consolidated	
30 June 2024	30 June 2023
\$'000	\$'000
2,967,201	2,187,345
2,684	-
<u>2,969,885</u>	<u>2,187,345</u>

Geographical regions are disclosed in note 4.

5b - Cost of sales

Cost of inventories sold
Supplier rebates
Other costs of goods sold

Consolidated	
30 June 2024	30 June 2023
3,216,993	2,402,739
(417,549)	(343,945)
(6,091)	(3,205)
<u>2,793,353</u>	<u>2,055,589</u>

Cost of sales comprise of purchase and inwards delivery costs, net of rebates and discounts received or receivable. Shipping and handling costs associated to transfer of goods to the customer are included in Warehousing and distribution expenses.

Note 6. Other income

Other Income

Consolidated	
30 June 2024	30 June 2023
\$'000	\$'000
227	-

Note 7. Administration expenses

7a - Employee benefits expenses

Salaries and wages
Superannuation
Other employee expenses
Contract staffing
Long service leave expenses

Consolidated	
30 June 2024	30 June 2023
\$'000	\$'000
51,183	35,268
5,007	3,492
4,958	3,011
9,415	7,680
623	386
<u>71,186</u>	<u>49,837</u>

Note 7. Administration expenses (continued)

7b - Administration expenses

	Consolidated	
	30 June 2024	30 June 2023
Management consulting fees	1,010	582
Professional fees	943	343
Information technology	4,002	2,763
Travel costs	1,188	671
Bad debts and allowance for expected credit losses	2,105	-
Transaction costs	5,460	-
Repairs and maintenance	462	404
Advertising and promotional	1,256	283
Other corporate costs	2,584	1,481
Insurance	2,359	1,576
	21,369	8,103

7c - Depreciation and amortisation expenses

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Depreciation - Leasehold improvements	892	903
Depreciation - Plant and equipment	2,418	1,914
Depreciation - Motor vehicles	54	27
Depreciation - Right-of-use assets	8,145	7,394
Amortisation - Software development costs	1,967	1,942
Amortisation - Contracts	992	-
	14,468	12,180

Note 8. Finance costs

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Interest on bank borrowings	9,661	5,787
Finance charges and other bank borrowing fees	4,995	4,044
Interest on lease liabilities	1,585	1,053
	16,241	10,884

Note 9. Income tax

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current income tax charge	6,458	4,123
Deferred income tax relating to temporary differences	(786)	1,433
Adjustment in respect of income and deferred tax of prior year		
- Current tax	(423)	-
- Deferred tax	423	-
Income tax (benefit) / expense	<u>5,672</u>	<u>5,556</u>
Reconciliation of income tax expense to accounting profit:		
Accounting profit before income tax	14,053	18,354
Income tax at the Australian tax rate of 30% (2023: 30%)	4,216	5,506
<i>Increase/(decrease) in income tax expense due to:</i>		
Non-deductible expenses	472	6
Reset in tax base on entry into tax consolidated group	1,190	-
Non-assessable income	(60)	-
Difference in tax rates	(210)	-
Others	63	44
Income tax (benefit) / expense	<u>5,672</u>	<u>5,556</u>
Deferred tax asset/liability		
Deferred tax asset/(liability) comprises temporary differences attributable to:		
Deferred tax asset		
Property, plant and equipment	8,263	-
Employee benefits	4,628	1,462
Accrued expenses	1,249	-
Lease liability	16,259	8,641
Inventories	1,535	220
Trade and other receivables	837	104
Trade payable	-	140
Other assets	732	-
Transaction costs	321	-
Carry forward Thin Cap Interest Denial	1,456	-
Derivative financial instruments	448	-
	<u>35,728</u>	<u>10,567</u>
Deferred tax liabilities		
Right of use asset	(12,739)	(7,931)
Property, plant and equipment	-	(448)
Intangibles	(4,063)	(3,145)
Trade payable	(3)	-
Foreign exchange gains/(losses)	(91)	-
Prepayments	(72)	-
Derivative financial instruments	(614)	-
	<u>(17,582)</u>	<u>(11,524)</u>
Deferred tax asset/(liability)	<u><u>18,146</u></u>	<u><u>(957)</u></u>

Note 9. Income tax (continued)

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Deferred tax asset/liability</i>		
Movements:		
Opening balance	(957)	476
Credited/(charged) to profit or loss	363	(1,433)
Others	(18)	-
Additions through business combinations (note 36)	18,758	-
Closing balance	18,146	(957)
	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current tax liabilities		
Income tax payables	5,101	145

Tax consolidation

Paragon Care Limited (the 'head entity') and its wholly-owned Australian subsidiaries are part of a tax consolidated group (TCG) under the tax consolidation regime.

Prior to 3 June 2024 CH2 Holdings Pty Limited and its controlled entities were part of a separate tax consolidated group. Upon the reverse acquisition CH2 joined the ParagonCare TCG with effect from 4 June 2024.

Members of the ParagonCare TCG are part of a Tax Funding Agreement that determines the amount payable by each TCG member for their portion of the group's current tax and deferred tax liability. The Tax Funding Agreement determined the head entity may receive financial assistance from or provide funding to the members, as required to discharge the Group liability.

Note 10. Cash and cash equivalents

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Current assets</i>		
Bank and petty cash balances	19,944	970

One of the bank accounts is restricted from the Group use and funds are cleared overnight by *Scottish Pacific Business Finance Pty Ltd* as a settlement of the outstanding loan balances (refer note 22). As at 30 June 2024 the balance in this account was Nil (30 June 2023: Nil).

Note 11. Trade and other receivables

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	282,002	182,213
Other receivables	39,712	28,007
Less: Allowance for expected credit losses	(783)	(345)
	<u>320,931</u>	<u>209,875</u>
Loan receivables - current	26,672	-
Less: Allowance for expected credit losses	(1,300)	-
	<u>25,372</u>	<u>-</u>
	<u>346,303</u>	<u>209,875</u>
<i>Non-current assets</i>		
Loan receivables - non-current	1,500	-
	<u>347,803</u>	<u>209,875</u>

Trade receivables are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Trade receivables generally have terms of 30 days.

Loans receivables represent balances receivable from customers on extended payment terms and carry interest at agreed terms. Other loans receivable is presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Allowance for expected credit losses

In relation to the trade receivables the Group has recognised a loss of \$763,000 (30 June 2023: \$514,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

In relation to the other loans receivable the Group has recognised a loss of \$1,300,000 (30 June 2023: Nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

The ageing of the receivables, other receivables, loan receivables, and related allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Consolidated	%	%	\$'000	\$'000	\$'000	\$'000
Not overdue	-	-	304,965	202,235	-	-
Past due 1 - 30 days	0.10%	1.42%	12,478	6,327	13	90
Past due 31 -120 days	6.42%	15.40%	32,240	1,658	2,070	255
Past due 121 days	-	-	203	-	-	-
			<u>349,886</u>	<u>210,220</u>	<u>2,083</u>	<u>345</u>

Note 11. Trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Opening balance	345	85
Provision for impairment	2,105	514
Provision for impairment loss utilised	(367)	(254)
Closing balance	2,083	345

Note 12. Inventories

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Current assets</i>		
Finished goods - at the lower of cost and net realisable value	262,914	181,566
Stock in transit - at cost	7,327	840
	270,241	182,406

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Balance at the start of the financial year	735	906
Movements during the year	(411)	(171)
Balance at the end of the financial year	324	735

Note 13. Derivative financial instruments

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Current assets</i>		
Interest rate swaps	719	-
<i>Current liabilities</i>		
Forward foreign exchange contracts	(334)	-
	385	-

Refer to note 30 for further information on fair value measurement.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Note 14. Other assets

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Current assets</i>		
Prepayments	2,446	1,812
Accrued rebates	37,495	33,398
Security deposits	208	-
Customer acquisition costs	1,449	-
	<u>41,598</u>	<u>35,210</u>
<i>Non-current assets</i>		
Security deposits	1,903	-
Customer acquisition costs	5,273	-
Other non-current assets	1,620	-
	<u>8,796</u>	<u>-</u>
	<u><u>50,394</u></u>	<u><u>35,210</u></u>

Note 15. Equity investments

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Unlisted ordinary shares	-	3,000
	<u><u>-</u></u>	<u><u>3,000</u></u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	3,000	-
Additions	-	3,000
Disposals	(3,000)	-
	<u>(3,000)</u>	<u>-</u>
Closing fair value	<u><u>-</u></u>	<u><u>3,000</u></u>

Prior to the completion of the reverse acquisition CH2 Holdings sold its investment in unlisted ordinary shares of Aero Travel Solutions Pty Ltd to Mr David Collins and Mr Peter Lacaze (*key management personnel and former shareholders of CH2 Holdings*) for a cash consideration of \$3,198,800 resulting in a gain of \$198,800 on divestment, which was recognised in the profit and loss statement.

Note 16. Investment properties

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
<i>Non-current assets</i>		
Investment property- Freehold office building, Korea - at fair value	2,133	-
Less: Accumulated depreciation	(3)	-
	<u>2,130</u>	<u>-</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions through business combinations (note 36)	2,133	-
Depreciation expense	(3)	-
Closing fair value	<u>2,130</u>	<u>-</u>

The investment property is held for rental yields and is not occupied by the Group. Fair value is determined provisionally using an external property appraisal as at 3 June 2024.

Lessor commitments

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
Minimum future lease commitments receivable but not recognised in the financial statements:		
1 year or less	65	-
Between 1 and 2 years	43	-
	<u>108</u>	<u>-</u>

Note 17. Right-of-use assets

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
<i>Non-current assets</i>		
Right-of-use	75,053	56,702
Less: Accumulated depreciation	(31,321)	(30,264)
	<u>43,732</u>	<u>26,438</u>

Note 17. Right-of-use assets (continued)

Reconciliations

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

Consolidated	Buildings \$'000	Motor Vehicles \$'000	Office Equipment \$'000	Materials Handling \$'000	Total \$'000
Balance at 1 July 2022	27,054	25	138	1,526	28,743
Additions	-	6	-	5,083	5,089
Depreciation expense	(6,527)	(26)	(92)	(749)	(7,394)
Balance at 30 June 2023	20,527	5	46	5,860	26,438
Additions	6,100	6	88	278	6,472
Additions through business combinations (note 36)	18,641	319	7	-	18,967
Depreciation expense	(7,043)	(20)	(51)	(1,031)	(8,145)
Balance at 30 June 2024	<u>38,225</u>	<u>310</u>	<u>90</u>	<u>5,107</u>	<u>43,732</u>

Note 18. Property, plant and equipment

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	17,213	8,215
Less: Accumulated depreciation	(5,760)	(4,816)
	<u>11,453</u>	<u>3,399</u>
Plant and equipment - at cost	28,268	21,412
Less: Accumulated depreciation	(18,044)	(15,992)
	<u>10,224</u>	<u>5,420</u>
Fixtures and fittings - at cost	2,187	1,423
Less: Accumulated depreciation	(1,381)	(1,349)
	<u>806</u>	<u>74</u>
Motor vehicles - at cost	586	371
Less: Accumulated depreciation	(111)	(120)
	<u>475</u>	<u>251</u>
Computer equipment - at cost	6,173	5,483
Less: Accumulated depreciation	(5,561)	(5,200)
	<u>612</u>	<u>283</u>
Capital WIP - at cost	<u>4,737</u>	<u>-</u>
	<u>28,307</u>	<u>9,427</u>

Note 18. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Leasehold Improvements \$'000	Plant and equipment \$'000	Fixtures and fittings \$'000	Motor vehicles \$'000	Computer equipment \$'000	Capital WIP \$'000	Total \$'000
Balance at 1 July 2023	3,399	5,420	74	251	283	-	9,427
Additions	6,032	126	75	-	329	217	6,779
Additions through business combinations (note 36)	2,928	6,904	724	339	185	4,817	15,897
Disposals	(14)	(35)	(4)	(61)	-	-	(114)
Depreciation expense	(892)	(2,191)	(63)	(54)	(185)	-	(3,385)
Incentives received	-	-	-	-	-	(297)	(297)
Balance at 30 June 2024	<u>11,453</u>	<u>10,224</u>	<u>806</u>	<u>475</u>	<u>612</u>	<u>4,737</u>	<u>28,307</u>

Note 19. Goodwill and other intangible assets

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	323,116	11,856
Software - at cost	30,702	28,408
Less: Accumulated amortisation	(19,771)	(17,804)
	<u>10,931</u>	<u>10,604</u>
Customer contracts - at cost	23,057	7,969
Less: Accumulated amortisation	(8,208)	(5,399)
	<u>14,849</u>	<u>2,570</u>
Development costs WIP- at cost	576	81
	<u>349,472</u>	<u>25,111</u>

Reconciliations

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

Consolidated	Goodwill \$'000	Customer contracts \$'000	Software \$'000	Development costs WIP \$'000	Total \$'000
Balance at 1 July 2023	11,856	2,570	10,604	81	25,111
Additions	-	10,403	1,559	576	12,538
Additions through business combinations (note 36)	311,410	5,314	654	-	317,378
Transfer to other assets	-	(2,446)	-	-	(2,446)
Others	(150)	-	-	-	(150)
Transfers in/(out)	-	-	81	(81)	-
Amortisation expense	-	(992)	(1,967)	-	(2,959)
Balance at 30 June 2024	<u>323,116</u>	<u>14,849</u>	<u>10,931</u>	<u>576</u>	<u>349,472</u>

Note 19. Goodwill and other intangible assets (continued)

Impairment testing

Goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Under AASB136, paragraph 68, an asset's cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets (or groups of assets).

In testing whether goodwill is impaired it is to be allocated to each cash generating unit ('CGU'). In identifying the groups of assets that constitute a CGU it is the smallest group that generates largely independent cash inflows and cannot be larger than the Group's reportable operating segments before aggregation.

Acquisitions during the year

Goodwill arising on the business combinations amounting to \$311,410,000 during the year is provisional and has not been allocated to a CGU or group of CGUs for impairment testing at 30 June 2024. Testing was performed to determine if there were any indicators of impairment for Osborne Health Supplies and ParagonCare goodwill based on the scope of AASB136. Based on the work done by management there are no indicators of impairment for the Osborne Health Supplies and ParagonCare intangibles balance.

CH2 Holdings CGU

The recoverable amount of the CGUs goodwill amounting to \$11.8 million has been determined by a value-in-use calculation using a discounted cash flow model based on a 3-year projection period approved by management and extrapolated for a further 2 years, together with a terminal value. Based on the discounted cash flow projections the recoverable amount of the CGU exceeds the carrying amount as at 30 June 2024.

Key assumptions used for the discounted cash flow projections for the CGUs:

Revenue growth rate (average)	5.0%
Pre-tax discount rate	13.9%
Terminal growth rate	2.0%

Sensitivity (CH2 Holdings CGU)

As disclosed in note 3, the Directors have made judgements and estimates in respect of impairment testing of goodwill. The calculations for discounted cashflow valuation of the CH2 Holdings CGU on value-in-use basis were subject to sensitivity testing. Based on the results of the impairment assessment at 30 June 2024 the directors believe that a reasonable possible change in the key assumptions on which the estimates are based would not cause the carrying amount to exceed the recoverable amount of the CH2 Holdings CGU.

Note 20. Trade and other payables

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	515,712	351,174
Goods and services tax payable	17,177	18,164
Other payables	20,240	4,757
	<u>553,129</u>	<u>374,095</u>

Refer to note 29 for further information on financial risk management.

Note 21. Contract liabilities

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
<i>Current liabilities</i>		
Contract liabilities	9,479	-
<i>Non-current liabilities</i>		
Contract liabilities	138	-
	<u>9,617</u>	<u>-</u>

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$9,617,000 as at 30 June 2024 (\$nil as at 30 June 2023) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
Within 12 months	9,479	-
beyond 12 months	138	-
	<u>9,617</u>	<u>-</u>

Note 22. Borrowings

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
<i>Current liabilities</i>		
Bank loans - Scottish Pacific Business Finance Pty Ltd	81,106	64,359
Trade finance facility	12,909	-
Other loans	1,061	-
Hire purchase	11,589	-
	<u>106,665</u>	<u>64,359</u>
<i>Non-current liabilities</i>		
Bank loans - NAB	87,921	-
Hire purchase	1,976	-
	<u>89,897</u>	<u>-</u>
	<u>196,562</u>	<u>64,359</u>

Refer to note 29 for further information on financial risk management.

Bank loan from Scottish Pacific Business Finance Pty Ltd

The bank loans bear interest at the 30-Day Bank Bill Swap Rate plus 4% plus a prevailing margin of 0.70%. At the reporting date the bank loans were repayable on or before 15 December 2026. There are no monthly covenants. The drawings made under the committed facility limit are revolving in nature with the balances outstanding settled daily in cash and available to be redrawn. The funds collected from the customers are cleared overnight by *Scottish Pacific Business Finance Pty Ltd* as a settlement of the outstanding loan balances. Accordingly, the loan of \$81,106,000 (30 June 2023: \$64,359,300) outstanding under the facility at year end has been disclosed as a current liability.

Note 22. Borrowings (continued)

Trade finance facility

The Group has entered into a trade finance facility agreement with NAB to facilitate the importation of goods into Australia from overseas. Individual import transactions are financed for a period not exceeding 180 days after the arrival of goods in Australia. This facility has been extended as part of the Company's overall banking arrangements with NAB and is therefore covered by the charge. Unlike the bank loans this revolving trade finance facility does not have a reducing principal balance and is continuously utilised to provide a source of working capital more closely matching the inventory life cycle of imported products. Trade finance facility is repayable within 120 days of drawdown. Accordingly, the trade finance facility of \$12,909,000 (30 June 2023: nil) outstanding under the facility at year end has been disclosed as a current liability. The trade finance bears interest at the 30-Day Bank Bill Swap Rate plus a 1.2% plus a prevailing margin.

Bank loans – NAB and Hire Purchase

ParagonCare has finance arrangements with the NAB and HSBC. The facilities operate under a common terms deed with a security trust where both NAB and HSBC are beneficiaries under the security trust. The facility from NAB is for \$137.5 million comprises bank loans, trade finance, hire purchase, bank guarantee and corporate credit card facility. The bank loans bear variable interest rates ranging from 7.21% to 7.46% and hire purchase facility bears fixed interest rates ranging from 3.81% to 7.44%. The HSBC facility is for USD\$25 million and is undrawn at 30 June 2024. Both of these facilities have a maturity to February 2027. Accordingly, the bank loans – NAB of \$87,921,000 (30 June 2023: nil) outstanding under the facility at year end has been disclosed as a non-current liability.

The Group has entered into an interest rate swap arrangement with a notional amount of \$35,000,000 whereby the Group exchanges the bank's variable interest rate for a fixed interest rate of 3.5%.

Assets pledged as security

NAB has first registered charge over all assets and undertakings including uncalled capital of the Group as security for the Group's banking arrangements.

Scottish Pacific Business Finance Pty Ltd loan is secured by trade receivables of the Group to the extent of \$81,106,000 (30 June 2023 \$64,359,300).

Financing arrangements

As at 30 June 2024, the Group had access to the following lines of credit:

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Total facilities		
Bank loans	307,380	150,000
Trade finance facility	20,000	-
Other loans	1,061	-
Hire purchase and other facilities	17,000	-
	<u>345,441</u>	<u>150,000</u>
Used at the reporting date		
Bank loans	169,027	64,359
Trade finance facility	12,909	-
Other loans	1,061	-
Hire purchase and other facilities	13,565	-
	<u>196,562</u>	<u>64,359</u>
Unused at the reporting date		
Bank loans	138,353	85,641
Trade finance facility	7,091	-
Other loans	-	-
Hire purchase and other facilities	3,435	-
	<u>148,879</u>	<u>85,641</u>

Note 22. Borrowings (continued)

Bank Guarantees

As part of the arrangements with NAB and Scottish Pacific Business Finance Pty Ltd the Group has access to bank guarantees, which once drawn reduce the unused borrowing facility. As of 30 June 2024 the bank guarantees used were \$9,243,395 (30 June 2023: \$7,458,000) in regard to property leases held by the landlord as security.

Note 23. Lease liabilities

The Group has operating leases relating to commercial office premises and warehouses. The Group's leases are typically for fixed periods between 3 to 15 years and may include extension options. Lease terms are negotiated on an individual lease basis and contain a wide range of different terms and conditions. Lease liabilities payment obligations relate to various leased offices and motor vehicles under non-cancellable agreements. None of the Group's lease agreements impose any covenants.

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current liabilities		
Lease liability	10,089	7,267
Non-current liabilities		
Lease liability	45,175	21,538
	<u>55,264</u>	<u>28,805</u>

Refer to note 29 for further information on financial risk management.

The maturity analysis for lease liabilities is as follows:

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	11,007	8,267
One to five years	32,526	21,040
More than five years	26,062	26,540
Total undiscounted lease liabilities at 30 June (net of lease incentive)	<u>69,595</u>	<u>55,847</u>

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Lease liabilities included in the statement of financial position		
Lease liabilities included in the statement of financial position at 30 June	<u>55,264</u>	<u>28,805</u>

Note 24. Employee benefits

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
<i>Current liabilities</i>		
Annual leave	8,162	2,628
Long service leave	5,157	2,026
Superannuation	793	322
Other employee benefits	2,309	-
	<u>16,421</u>	<u>4,976</u>
<i>Non-current liabilities</i>		
Long service leave	1,343	220
	<u>17,764</u>	<u>5,196</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the Group does not have an unconditional right to defer settlement. However, based on past experience the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
Employee benefits obligation expected to be settled after 12 months	<u>5,157</u>	<u>2,026</u>

Note 25. Vendor conditional payables

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
<i>Current liabilities</i>		
Vendor conditional payables	699	-
<i>Non-current liabilities</i>		
Vendor conditional payables	500	-
	<u>1,199</u>	<u>-</u>

The vendor conditional payable represents contingent consideration payable to the vendor of shares in Quantum Hunex Korea Co Ltd and Carestream Health Japan Co., Ltd, subsidiaries of the Group. Vendor conditional payables were acquired through the reverse acquisition of ParagonCare.

Subsequent to 30 June 2024 the Group has settled the vendor conditional payable for Carestream Health Japan Co., Ltd. The balance was classified as a current liability as at 30 June 2024.

Note 26. Issued capital

Due to the reverse acquisition described in note 2 to the financial statements, number of shares on issue reflect that of ParagonCare (*legal parent*) and the contributed equity represents that of CH2 Holdings (*accounting acquirer*).

Note 26. Issued capital (continued)

	Consolidated		
	30 June 2024	30 June 2023	30 June 2024
	Shares	Shares	\$'000
			\$'000
Ordinary shares - fully paid	1,655,305,389	659,345,929	328,488
			50,893

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2022	644,268,271	50,893
Issue of shares on vesting of performance rights	26 August 2022	4,304,088	-
Issue of shares as part consideration for the acquisition	12 September 2022	7,773,570	-
Issue of shares	29 November 2022	1,500,000	-
Issue of shares as sign-on equity to Managing Director	5 April 2023	1,500,000	-
Balance	30 June 2023	659,345,929	50,893
Issue of shares under the dividend reinvestment plan	6 October 2023	8,522,250	-
Shares issued in relation to reverse acquisition (note 36)	3 June 2024	943,524,072	277,595
Issue of shares on vesting of performance rights	3 June 2024	43,913,138	-
Balance	30 June 2024	1,655,305,389	328,488

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

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

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

When managing capital the Directors' objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders. The Directors also aim to maintain a capital structure that ensures 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 they conclude a further material business acquisition.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as 'borrowings' as shown in the statement of financial position less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

The Group is not subject to any externally imposed capital requirements.

Note 27. Reserves

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
Foreign currency reserve	(300)	-
Other reserves	(25)	-
	<u>(325)</u>	<u>-</u>

Foreign currency reserve

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

Movements in reserves

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

Consolidated	Foreign currency reserve \$'000	Other reserves \$'000	Total \$'000
Balance at 1 July 2023	-	-	-
Foreign currency translation	(300)	-	(300)
Others	-	(25)	(25)
Balance at 30 June 2024	<u>(300)</u>	<u>(25)</u>	<u>(325)</u>

Note 28. Dividends

Dividends

Dividends represent the amounts declared and paid to the former shareholders of CH2 Holdings prior to the completion of reverse acquisition.

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
Final dividend for the year ended 30 June 2022	-	6,527
Final dividend for the year ended 30 June 2023	12,613	-
	<u>12,613</u>	<u>6,527</u>

Dividend declared - current period

There was no dividends recommended or declared for the current financial year ended on 30 June 2024.

Franking credits

	Consolidated 30 June 2024 \$'000	30 June 2023 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>21,602</u>	<u>1,185</u>

The above amounts represent the balance of the franking account as at the end of the financial year adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 29. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. 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 Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, ageing analysis for credit risk and cash flow forecasting for liquidity risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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

The Group does make payments to some suppliers in foreign currencies, predominantly in United States dollars, Euros, British Pound and New Zealand dollars, which does provide exposure to fluctuations in the value of these financial commitments due to the changes in foreign currency rates. Financial assets denominated in foreign currencies are mainly balances with banks.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Forward exchange contracts		
Buy foreign currency:		
AUD to USD	14,967	-
AUD to Euro	6,848	-
NZD to USD	8,610	-
NZD to Euro	705	-
	<u>31,130</u>	<u>-</u>

Note 29. Financial risk management (continued)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Consolidated	\$'000	\$'000	\$'000	\$'000
United States Dollar	299	-	19,806	-
Euro	2	-	1,641	-
New Zealand Dollar	3,640	-	578	-
Chinese Renminbi	44	-	7	-
South Korea Won	2,515	-	2,575	-
Thai Baht	6,336	-	97	-
Philippines Peso	438	-	39	-
Swiss Francs	-	-	2	-
Pounds Sterling	-	-	245	-
Japanese Yen	722	-	634	-
Vietnamese Dong	22	-	752	-
	<u>14,018</u>	<u>-</u>	<u>26,376</u>	<u>-</u>

The Group had net liabilities denominated in foreign currencies of \$12,358,000 (assets of \$14,018,000 less liabilities of \$26,376,000) as at 30 June 2024. Based on this exposure, had the Australian dollars weakened by 10%/strengthened by 10% against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been as follows:

Consolidated - 30 June 2024	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
United States Dollar	(10%)	1,951	1,951	10%	(1,951)	(1,951)
Euro	(10%)	164	164	10%	(164)	(164)
New Zealand Dollar	(10%)	(306)	(306)	10%	306	306
Chinese Renminbi	(10%)	(4)	(4)	10%	4	4
South Korea Won	(10%)	6	6	10%	(6)	(6)
Thailand Baht	(10%)	(624)	(624)	10%	624	624
Philippines Peso	(10%)	(40)	(40)	10%	40	40
Pound Sterling	(10%)	24	24	10%	(24)	(24)
Japanese Yen	(10%)	(9)	(9)	10%	9	9
Vietnamese Dong	(10%)	73	73	10%	(73)	(73)
		<u>1,235</u>	<u>1,235</u>		<u>(1,235)</u>	<u>(1,235)</u>

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2024 was \$234,436.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from bank borrowings and cash and cash equivalents with bank. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates for hire purchase expose the Group to fair value interest rate risk. In order to mitigate the risk of variable interest rates the Group has entered into an interest rate swap arrangement with the bank for loans outstanding of \$35,000,000 as at 30 June 2024.

Note 29. Financial risk management (continued)

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

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

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Financial assets		
Cash and cash equivalents (interest bearing)	19,944	970
Interest rate swaps	719	-
	<u>20,663</u>	<u>970</u>
	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Financial Liabilities		
Interest bearing liabilities - variable rate (current)	94,015	64,359
Interest bearing liabilities - variable rate (non-current)	52,921	-
	<u>146,936</u>	<u>64,359</u>
Net exposure to cash flow interest rate risk	<u>126,273</u>	<u>63,389</u>

For the Group borrowings outstanding totalling \$196,562,000 (30 June 2023: \$64,359,000) are principal and interest payment loans. Of this \$35,000,000 is managed under an interest rate swap arrangement whereby the Group exchanges the bank's floating rate (BBSYbid rate+spread) for a fixed interest rate of 3.5%. Further, \$13,560,000 of hire purchase facility and \$1,060,000 of other loans bear a fixed interest rate. The Group has bank borrowings outstanding subject to variable interest rates of \$146,940,000 (30 June 2023: \$64,359,000). An official increase/decrease in interest rates of 100 basis points (30 June 2023: 100 basis points) would have an adverse/favourable effect on profit before tax of \$1,260,000 per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties with a minimum rating of "A" are accepted. For customers risk control assesses the credit quality of the customer taking into account its financial position, past experience, and other factors. The compliance with credit limits by customers is regularly monitored by line management.

Credit assessments are undertaken to determine the credit quality of the customer taking into account their financial position, past experience and other relevant factors. Individual risk limits are granted in accordance with the internal credit policy and authorised via appropriate personnel as defined by the Group's delegation of authority manual. The utilisation of credit limits by customers and associated security arrangement are monitored by management.

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 with an assessment of expected credit loss or specific allowance recognised at each reporting date. The Group does not have any material credit risk exposure to any single debtor under financial instruments.

The Group's maximum credit exposure is represented by the carrying amount of the financial assets net of any applicable loss allowance.

Where required, the Group registers its retention of title on the Personal Properties Securities Register and seeks additional security as collateral where appropriate in accordance with its credit policy.

Note 29. Financial risk management (continued)

Where considered appropriate the Group provides extends the credit terms for certain customers, which is supported by additional credit analysis and risk assessment. Such balances are classified as other loans receivables and disclosed in note 11. Interest is charged on such balances as per agreed terms.

Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Forecasted cash flows are used to calculate the forecasted liquidity position and to maintain suitable liquidity levels.

The Group is exposed to liquidity risk as it must invest in significant levels of working capital such as inventory and accounts receivable which can impact liquidity unless they are converted to cash.

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Refer to note 23 for information on the Group's borrowings facility maturity profile.

Contractual maturities of financial liabilities

The table below summaries the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than 1 year \$'000	One to Five years \$'000	More than 5 Years \$'000	Total contractual cash flows \$'000
Year ended 30 June 2024				
Trade and other payables (note 20)	553,129	-	-	553,129
Borrowings (variable rate) (note 22)	94,261	68,099	-	162,360
Borrowings (fixed rate) (note 22)	13,204	40,514	-	53,718
Lease liabilities (note 23)	11,007	32,526	26,052	69,585
Derivative financial instruments (note 13)	334	-	-	334
Vendor conditional payables (note 25)	699	500	-	1,199
Total contractual undiscounted payments	672,634	141,639	26,052	840,325
Year ended 30 June 2023				
Trade and other payables (note 20)	374,095	-	-	374,095
Borrowings (variable rate) (note 22)	64,359	-	-	64,359
Lease liabilities (note 23)	8,267	21,040	26,540	55,847
Total contractual undiscounted payments	446,721	21,040	26,540	494,301

Note 30. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 June 2024

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivative financial instruments	-	719	-	719
	-	-	-	-
Liabilities				
Derivative financial instruments	-	334	-	334
Vendor conditional payables	-	-	1,199	1,199
Total liabilities	-	334	1,199	1,533

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted forward exchange and interest swap market rates at the reporting date. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Level 3 assets and liabilities

Vendor conditional payable represents the obligation to pay additional amounts to vendors in respect of businesses acquired by the Group, subject to certain conditions being met. It is measured at the present value of the estimated liability. The fair value of vendor conditional payable is calculated on the expected future cash outflows. Generally, the vendor conditional payable is a performance-based payment. These are reviewed at the reporting date to provide the expected future cash outflows for each contract. Upon completion of the review the future cash outflows are then discounted to present value using the Group's risk adjusted-discount rate of 8.85%.

Vendor conditional payables - Quantum	Profit multiples	45%	10% change in multiple would increase/decrease fair value by
Hunex Korea			\$161,000

Note 31. Key management personnel disclosures

As noted in note 2 to the consolidated financial statements the Group completed a reverse acquisition on 3 June 2024 and consequently the consolidated financial report has been prepared as a continuation of the business and operations of CH2 Holdings. Key management personnel during the year ended 30 June 2024 includes the following personnel.

- Key management personnel remuneration for the period from 1 July 2023 to 30 June 2024 covering all directors and other key management personnel of the CH2 Holdings.
- Key management personnel remuneration for the period from 4 June 2024 to 30 June 2024 covering all directors and other key management personnel of the Consolidated Group (*post-reverse acquisition*).
- Information in the tables below does not include the key management personnel remuneration related to ParagonCare, prior to the reverse acquisition (i.e 1 July 2023 to 3 June 2024). Comparative information disclosed only includes the key management personnel of CH2 Holdings.

Note 31. Key management personnel disclosures (continued)

Compensation

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

	Consolidated	30 June
	30 June 2024	2023⁽ⁱ⁾
	\$	\$
Short-term employee benefits	2,731,274	4,584,805
Termination benefits	224,466	-
Post-employment benefits	89,289	122,000
Long-term benefits	22,823	44,000
	<u>3,067,852</u>	<u>4,750,805</u>

(i) The amounts reported above for the year ended 30 June 2023 have been updated to include the short-term employee benefits which related to the comparative period but settled during the current financial year.

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Company, and its network firms:

	Consolidated	30 June 2023
	30 June 2024	30 June 2023
	\$	\$
<i>Fees for audit services - Ernst & Young</i>		
Fees for audit of the statutory financial statements of the parent covering the Group	858,000	180,000
<i>Fees for other services - Ernst & Young</i>		
Tax compliance	112,000	35,000
Tax advisory services	56,000	-
Other advisory services	106,951	-
	<u>274,951</u>	<u>35,000</u>
	<u>1,132,951</u>	<u>215,000</u>
<i>Fees for audit and review services - RSM Australia Partners and overseas member firms of RSM Australia Partners</i>		
Fees for audit and review of financial statements ⁽ⁱ⁾	373,760	-
Review of financial statements	67,500	-
<i>Fees for other services - RSM Australia Partners and overseas member firms of RSM Australia Partners</i>		
Tax compliance	77,400	-
Financial due diligence services	165,808	-
Audit/ review services	156,941	-
Tax services	35,313	-
	<u>876,722</u>	<u>-</u>

(i) RSM Australia Partners resigned as the auditor of ParagonCare on 17 June 2024. The above table includes the fee paid to RSM Australia Partners for the services provided during the year ended 30 June 2024.

Note 33. Contingent liabilities

The Group has given bank guarantees as at 30 June 2024 of \$9,243,395 (30 June 2023: \$7,458,954).

The Directors are not aware any other contingent assets or contingent liabilities as at 30 June 2024 (30 June 2023: Nil).

Note 34. Commitments

As at 30 June 2024 the Group had capital commitments of \$480,000 (2023: nil) in respect of development work at the Melbourne head office.

Note 35. Related party transactions

Parent entity

Paragon Care Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 37.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the Directors' Report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated
	30 June 2024 30 June 2023
	\$ \$

The following transaction with close members of the family of Mr John Walstab:

Salaries paid to related parties ⁽ⁱ⁾	27,153	-
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(i) Salaries and wages amount was for the period from 4 June 2024 to 30 June 2024. In addition, from 1 July 2023 to 3 June 2024, ParagonCare paid salaries and wages of \$375,806.

(ii) Terms and conditions of the transactions with close members of the family of the KMP were based on terms approved by the Board.

In May 2024 CH2 Holdings sold an investment in Aero Travel Solutions Pty Ltd for \$3,198,000 (to David Collins for \$1,599,400 and Peter Lacaze for \$1,599,400 (key management personnel and former shareholders)), and the Consolidated Group recognised a gain of \$198,800 on divestment.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on terms approved by the Board of Directors.

Note 36. Business combinations

Acquisition of CH2 Holdings Pty Limited (CH2 Holdings)

On 3 June 2024 Paragon Care Limited (ParagonCare) completed the 100% acquisition of CH2 Holdings Pty Limited and its controlled entities (collectively, 'CH2 Holdings'). This acquisition has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3 Business Combinations (AASB3).

The application of the reverse acquisition guidance contained in AASB3 has resulted in ParagonCare (legal parent) being accounted for as the accounting acquiree and CH2 Holdings (legal subsidiary) being accounted for as the accounting acquirer.

Given the timing of the reverse acquisition the values identified in relation to the reverse acquisition are provisional as at 30 June 2024. Thus, the net assets acquired may need to be subsequently adjusted with a corresponding adjustment to the provisional goodwill. The finalisation of the fair values of assets acquired and liabilities assumed will be completed within 12 months of the acquisition date, at the latest.

The acquisition of ParagonCare is a transformative transaction for CH2 Holdings and is expected to create a leading healthcare wholesaler, distributor and manufacturer of significant scale. This acquisition will enable CH2 Holdings to leverage expansion into both companies' healthcare wholesaling and distribution networks across Australia, New Zealand and Asia, capitalising on and strengthening the combined market presence and operational capabilities in these growing markets.

CH2 Holdings acquired control over ParagonCare effective from the date of the shareholders' approval obtained at the EGM, which was held on 3 June 2024. The ParagonCare shares were issued to the CH2 Holdings shareholders on 3 June 2024.

The fair value of the consideration transferred by the CH2 Holdings has been determined based on the fair value of equity interests the CH2 Holdings would have had to issue at the date of acquisition to give the owners of the ParagonCare the same ownership interest in the Consolidated Group. ParagonCare has issued 943,524,072 ordinary shares, which has been deemed as the purchase consideration for the reverse acquisition. The fair value was determined with reference to the listed share price of ParagonCare on 3 June 2024.

	Provisional fair value \$'000
Cash and cash equivalents	21,522
Trade and other receivables ⁽ⁱ⁾	38,207
Inventories	74,557
Property, plant and equipment	15,410
Intangibles	5,868
Right of Use Assets	18,967
Deferred Tax Assets	18,186
Other assets	7,413
Trade and other payables	(57,434)
Employee benefit provision	(11,209)
Lease liabilities	(27,968)
Borrowings	(117,560)
Other liabilities	(3,590)
Net assets acquired	<u>(17,631)</u>
Goodwill on acquisition (provisional)	295,226
Representing:	
Fair value of the shares issued as consideration	<u>277,595</u>

⁽ⁱ⁾The acquisition date fair value of the trade receivables amounts to \$37 million.

Note 36. Business combinations (continued)

Revenue and profit contribution

From the date of acquisition (3 June 2024) ParagonCare contributed revenue of \$30,080,000 and profit before tax of \$3,012,449 to the Group's results. The results of ParagonCare are reported within the ParagonCare segment.

If the acquisition had occurred on 1 July 2023 the Group's revenue would have increased by \$321,582,954 and profit before tax would have decreased by \$34,096,639. The loss before tax includes impact of the vesting of performance rights, asset write-down, transaction costs, and redundancy costs.

Transaction costs related to reverse acquisition

Transaction costs of \$4,774,000 have been recognised as expenses and are included in administration expenses in the consolidated statement of profit or loss and comprehensive income and are part of operating cash flows in the consolidated statement of cash flows.

Provisional goodwill

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of ParagonCare with those of CH2 Holdings. The goodwill is not deductible for income tax purposes.

Acquisition of Osborne Health Supplies (OHS)

On 28 February 2024 CH2 Holdings acquired the assets and liabilities of Osborne Health Supplies ('OHS') for a total cash consideration of \$25,063,000. The transaction has been assessed to be a business combination under AASB3 wherein CH2 Holdings is the acquirer and OHS is the acquiree. The effective date of acquisition is 1 March 2024.

OHS is a leading distributor of TGA listed medicines, natural, traditional and complementary health products to the complementary and orthodox healthcare sectors. The acquisition of OHS is a natural fit within CH2 Holdings' healthcare distribution business with overlapping customers in the retail pharmacy and primary care.

Given the timing of the acquisition the values identified in relation to the acquisition are provisional as at 30 June 2024. Thus, the net assets acquired may need to be subsequently adjusted with a corresponding adjustment to the provisional goodwill. The finalisation of the fair values of assets acquired and liabilities assumed will be completed within 12 months of the acquisition date, at the latest.

Provisional values of the assets acquired and liabilities assumed at the date of acquisition are as follows:

	Provisional fair value \$'000
Trade and other receivables ⁽ⁱ⁾	8,194
Inventories	7,580
Property, plant and equipment	487
Intangibles	100
Trade and other payables	(6,608)
Employee benefits provision	(874)
Net assets acquired	8,879
Goodwill	16,184
Cash consideration paid	<u>25,063</u>
Representing:	
Cash paid	<u>25,063</u>

⁽ⁱ⁾ The acquisition date fair value of the trade receivables amounts to \$8.1 million.

Note 36. Business combinations (continued)

Revenue and profit contribution

From the date of acquisition (1 March 2024) OHS contributed sales of \$34,850,315 and profit before tax of \$1,339,882 to the Group's results. The results of OHS are reported within the CH2 Holdings segment.

If the acquisition had occurred on 1 July 2023 the Group's revenue would have increased by \$100,000,000 and profit before tax would have been higher by \$4,000,000.

Transaction costs

Transaction costs of \$653,034 have been recognised as expenses and are included in administration expenses in the consolidated statement of profit or loss and comprehensive income and are part of operating cash flows in the consolidated statement of cash flows.

Provisional goodwill

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of OHS with those of CH2 Holdings. The goodwill is not deductible for income tax purposes.

Acquisition of Central Healthcare Services (CHS) (Asset Acquisition)

On 14 July 2023 CH2 Holdings acquired the assets of Central Healthcare Services ('CHS') for cash consideration of \$18,621,998. This acquisition has been accounted for as an asset acquisition as CHS does not constitute a business.

Details of the purchase consideration and allocation of the purchase price is set out below:

	Fair value \$'000
Inventories	9,280
Customer contracts	10,082
Fair value of assets acquired	19,362
Representing:	
Cash paid	18,622
Acquisition costs	740
	19,362

Note 37. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2024 %	30 June 2023 %
CH2 Holdings group entities ⁽ⁱ⁾		-	-
CH2 Holdings Pty Limited	Australia	-	-
CH2 Operations Pty Limited	Australia	100%	100%
Clifford Hallam Healthcare Pty Limited	Australia	100%	100%
Cottman Australia Pty Limited	Australia	100%	100%
LJ Cottman (WA) Pty Limited	Australia	100%	100%
Surgical Buyers Australia Pty Limited	Australia	100%	100%
ParagonCare group entities ⁽ⁱⁱ⁾		-	-
Paragon Care Limited ⁽ⁱⁱⁱ⁾	Australia	100%	-
Paragon Care Group Management Services Pty Ltd ^(iv)	Australia	100%	-
Paragon Care Group Australia Pty Ltd ^(iv)	Australia	100%	-
Paragon Care Group Holding Company Pty Ltd ^(iv)	Australia	100%	-
Medtek Pty Ltd ^(iv)	Australia	100%	-

Note 37. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2024 %	30 June 2023 %
REM Systems Pty Ltd ^(iv)	Australia	100%	-
Meditron Pty Ltd ^(iv)	Australia	100%	-
Western Biomedical Pty Ltd ^(iv)	Australia	100%	-
Designs For Vision Holdings Pty Ltd ^(iv)	Australia	100%	-
Designs For Vision (Aust) Pty Ltd ^(iv)	Australia	100%	-
Designs For Vision Pty Ltd ^(iv)	Australia	100%	-
Electro Medical Group Pty Ltd ^(iv)	Australia	100%	-
Midas Software Solutions Pty Ltd ^(iv)	Australia	100%	-
Immulab Pty Ltd ^(iv)	Australia	100%	-
Insight Surgical Pty Ltd	Australia	100%	-
Medtech Solutions Pty Ltd ^(iv)	Australia	100%	-
Surgical Specialties Holdings Pty Ltd ^(iv)	Australia	100%	-
Surgical Specialties Group Pty Ltd ^(iv)	Australia	100%	-
Surgical Specialties Pty Ltd ^(iv)	Australia	100%	-
Therapy Specialties Pty Ltd ^(iv)	Australia	100%	-
Pergamon Technologies Pty Ltd ^(iv)	Australia	100%	-
Immuno Pty Ltd ^(iv)	Australia	100%	-
Labgear Australia Pty Ltd ^(iv)	Australia	100%	-
Paragon Medical Pty Ltd ^(iv)	Australia	100%	-
Scanmedics Pty Ltd ^(iv)	Australia	100%	-
Lovell Surgical Supplies International Pty Ltd ^(iv)	Australia	100%	-
Lovell Surgical Supplies Pty Ltd ^(iv)	Australia	100%	-
Lovell Surgical Solutions Pty Ltd ^(iv)	Australia	100%	-
Total Communications (Australia) Pty Ltd ^(iv)	Australia	100%	-
Quantum Health Group Limited ^(iv)	Australia	100%	-
Quantum Energy Technologies Pty Ltd ^(iv)	Australia	100%	-
Quantum Healthcare Australia Pty Ltd ^(iv)	Australia	100%	-
Medishop Pty Ltd ^(iv)	Australia	100%	-
Quantum Solar Power Pty Ltd ^(iv)	Australia	100%	-
Quantum Legioguard Pty Ltd ^(iv)	Australia	100%	-
Quantum Healthcare Pty Ltd ^(iv)	Australia	100%	-
Specialist Medical Supplies Pty Ltd ^(iv)	Australia	100%	-
Designs for Vision Ltd	New Zealand	100%	-
Immuno Ltd	New Zealand	100%	-
Paragon Medical Ltd	New Zealand	100%	-
Paragon Care Group New Zealand Management Services Ltd	New Zealand	100%	-
Paragon Care Group New Zealand Ltd	New Zealand	100%	-
Quantum Healthcare NZ Ltd	New Zealand	100%	-
REM Systems Ltd	New Zealand	100%	-
Therapy Specialties Ltd	New Zealand	100%	-
Surgical Specialties (NZ) Ltd	New Zealand	100%	-
Quantum Energy Technologies (Suzhou) Co Ltd	China	100%	-
Suzhou Sheerdrop Wine Co Ltd	China	100%	-
Quantum Healthcare Hong Kong Limited	China	100%	-
Quantum Holdings Co. Ltd	Korea	100%	-
Quantum Hunex Korea Co. Ltd	Korea	100%	-
Quantum Healthcare Korea Co. Ltd	Korea	100%	-
Carestream Health Philippines, Inc.	Philippines	100%	-
Paragon Care Viet Nam Co. Ltd	Vietnam	100%	-
Quantum Healthcare Thailand Co. Ltd	Thailand	100%	-
Carestream Health Japan Co., Ltd	Japan	100%	-

Note 37. Interests in subsidiaries (continued)

- (i) In the year ended 30 June 2023 the Group comprised only the CH2 Holdings group entities
- (ii) CH2 Holdings completed the reverse acquisition of ParagonCare Group on 3 June 2024
- (iii) For accounting purposes considered a subsidiary, however, for legal purposes considered the Parent Entity.
- (iv) These controlled entities are a party to a Deed of Cross Guarantee of ParagonCare. Refer Note 39 for further information.

Note 38. Parent entity information

The summarised Income Statement and Statement of Financial Position in respect to the parent entity ('Company' or Paragon Care Limited') is set out below.

	Company	
	30 June 2024	30 June 2023
	\$'000	\$'000
Loss after income tax	(2,133)	(1,784)
Total comprehensive income	(2,133)	(1,784)

	Company	
	30 June 2024	30 June 2023
	\$'000	\$'000
Total current assets	139,573	202
Total non-current assets	407,893	286,667
Total assets	547,466	286,869
Total current liabilities	1,587	5,548
Total liabilities	1,587	5,548
Total equity	545,879	281,321

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 39. Deed of cross guarantee

Pursuant to ASIC Corporations (wholly-owned Companies) Instrument 2016/785 dated 17 December 2016 the wholly-owned controlled entities detailed in Note 28 are relieved from the *Corporations Act 2001* requirements for preparation, audit, and lodgement of financial reports, and Directors' Report.

It is a condition of the Class Order that the Company and each of its eligible controlled entities enter into a Deed of Cross Guarantee ('Deed'). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up.

Note 39. Deed of cross guarantee (continued)

As at 30 June 2024 CH2 Holdings is not part of the Deed and only the following subsidiaries of ParagonCare are party to a Deed under which each company guarantees the debts of the others:

Paragon Care Group Management Services Pty Ltd	Surgical Specialties Pty Ltd
Paragon Care Group Australia Pty Ltd	Therapy Specialties Pty Ltd
Paragon Care Group Holding Company Pty Ltd	Pergamon Technologies Pty Ltd
Medtek Pty Ltd	Immuno Pty Ltd
REM Systems Pty Ltd	Labgear Australia Pty Ltd
Meditron Pty Ltd	Paragon Medical Pty Ltd
Western Biomedical Pty Ltd	Scanmedics Pty Ltd
Designs For Vision Holdings Pty Ltd	Lovell Surgical Supplies International Pty Ltd
Designs For Vision (Aust) Pty Ltd	Lovell Surgical Supplies Pty Ltd
Designs For Vision Pty Ltd	Lovell Surgical Solutions Pty Ltd
Electro Medical Group Pty Ltd	Total Communications (Australia) Pty Ltd
Midas Software Solutions Pty Ltd	Quantum Health Group Limited
Immulab Pty Ltd	Quantum Energy Technologies Pty Ltd
Insight Surgical Pty Ltd	Quantum Healthcare Australia Pty Ltd
Medtech Solutions Pty Ltd	Medishop Pty Ltd
Surgical Specialties Holdings Pty Ltd	Quantum Solar Power Pty Ltd
Surgical Specialties Group Pty Ltd	Quantum Healthcare Pty Ltd
Specialist Medical Supplies Pty Ltd	

The statement of profit or loss and other comprehensive income and statement of financial position for the Closed Group are disclosed below. Results of Closed Group included in the Consolidated statement of profit or loss is from 3 June 2024 (date of acquisition) to 30 June 2024, as this is the period included as part of the Consolidated Group.

The statement of profit or loss and other comprehensive income

	30 June 2024
	\$'000
Revenue	
Sales to external customers	16,801
Total revenue	16,801
Cost of goods sold	(9,559)
Gross Profit	7,242
Other income	(1)
Expenses	-
Warehousing and distribution expenses	(425)
Administration expenses	(5,050)
Finance costs	(1,070)
	(6,546)
	696
Profit before income tax expense	696
Income tax expense	(1,518)
Profit after income tax expense	(822)

Note 39. Deed of cross guarantee (continued)

Statement of Financial Position

30 June 2024
\$'000

Assets

Current assets

Cash and cash equivalents	7,045
Trade and other receivables	19,923
Inventories	39,582
Derivative financial instruments	660
Total current assets	67,210

Non-current assets

Other assets	3,729
Equity investments	362,902
Property, plant and equipment	10,655
Right-of-use assets	17,600
Goodwill and other intangible assets	197,602
Deferred tax	16,649
Total non-current assets	609,137

Total assets

676,347

Liabilities

Current liabilities

Trade and other payables	35,184
Contract liabilities	7,122
Borrowings	25,468
Lease liabilities	2,531
Derivative financial instruments	219
Income tax payable	1,566
Employee benefits	7,404
Vendor conditional payables	699
Total current liabilities	80,193

Non-current liabilities

Contract liabilities	138
Borrowings	88,836
Lease liabilities	24,125
Employee benefits	684
Vendor conditional payables	500
Total non-current liabilities	114,283

Total liabilities

194,476

Net assets

481,872

Total equity

481,872

Subsequent to 30 June 2024 ParagonCare has filed an Assumption Deed with ASIC whereby CH2 Holdings will join the ParagonCare's closed group.

Note 40. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Profit after income tax expense for the year	8,381	12,798
Adjustments for:		
Depreciation and amortisation	14,468	13,753
Movements in provisions	2,149	-
Interest income	-	(183)
Finance Income	(1,627)	-
Finance costs	16,241	-
Gain on disposal investments	(199)	-
Other	-	1,679
Decrease/(increase) in trade receivables	(97,858)	(39,810)
Decrease/(increase) in inventories	(6,109)	(58,019)
Decrease/(increase) in deferred tax assets	(917)	-
Increase/(decrease) in trade payables	121,418	91,891
(Decrease)/increase in other assets	(3,828)	-
(Decrease)/increase in provision for income tax	1,676	-
Increase/(decrease) in other payables	4,838	-
Increase/(decrease) in provisions and employee benefits	485	256
Interest received	1,575	-
Interest paid	(16,241)	-
Net cash from operating activities	<u>44,452</u>	<u>22,365</u>

Note 41. Changes in liabilities arising from financing activities

Consolidated	Borrowings	Lease liability	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2022	62,590	30,725	93,315
Loans received	2,629,652	-	2,629,652
Loans repaid	(2,627,883)	(7,008)	(2,634,891)
New leases	-	5,088	5,088
Balance at 30 June 2023	64,359	28,805	93,164
Loans received	3,189,449	-	3,189,449
Changes through business combinations (note 36)	117,562	27,968	145,530
Loans repaid	(3,174,808)	(7,981)	(3,182,789)
New leases	-	6,472	6,472
Balance at 30 June 2024	<u>196,562</u>	<u>55,264</u>	<u>251,826</u>

Note 42. Earnings per share

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Profit after income tax attributable to the owners of ParagonCare	<u>8,381</u>	<u>12,798</u>

Note 42. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	935,227,444	943,524,072
Weighted average number of ordinary shares used in calculating diluted earnings per share	935,227,444	943,524,072
	Cents	Cents
Basic earnings per share	0.90	1.36
Diluted earnings per share	0.90	1.36

As noted in note 2 to the financial statements CH2 Holdings completed the reverse acquisition of ParagonCare on 3 June 2024. The weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) were calculated as follows:

During the 2024 financial year in which the reverse acquisition occurred:

- the number of ordinary shares outstanding from the beginning of the year to the acquisition date computed on the basis of the weighted average number of ordinary shares of CH2 Holdings outstanding during the period multiplied by the exchange ratio established in the reverse acquisition; and
- the weighted average number of ordinary shares outstanding from the acquisition date to the end of the year are the actual number of ordinary shares of ParagonCare outstanding during that period.

The basic earnings per share for each comparative period before the acquisition date presented in the consolidated financial statements following the reverse acquisition calculated by dividing:

- the profit or loss of CH2 Holdings attributable to ordinary shareholders in the 2024 financial year divided by CH2 Holdings' historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the reverse acquisition.

Note 43. Events after the reporting period

Subsequent to 30 June 2024 ParagonCare has filed an Assumption Deed with ASIC whereby CH2 Holdings will join the ParagonCare's closed group.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Paragon Care Limited
Consolidated entity disclosure statement
As at 30 June 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Paragon Care Limited	Body corporate	Australia	-	Australia
Paragon Care Group Management Services Pty Ltd	Body corporate	Australia	100%	Australia
Paragon Care Group Australia Pty Ltd	Body corporate	Australia	100%	Australia
Paragon Care Group Holding Company Pty Ltd	Body corporate	Australia	100%	Australia
CH2 Holdings Pty Limited	Body corporate	Australia	100%	Australia
CH2 Operations Pty Limited	Body corporate	Australia	100%	Australia
Clifford Hallam Healthcare Pty Limited	Body corporate	Australia	100%	Australia
Cottman Australia Pty Ltd	Body corporate	Australia	100%	Australia
LJ Cottman (WA) Pty Ltd	Body corporate	Australia	100%	Australia
Surgical Buyers Australia Pty Ltd	Body corporate	Australia	100%	Australia
Medtek Pty Ltd	Body corporate	Australia	100%	Australia
REM Systems Pty Ltd	Body corporate	Australia	100%	Australia
Meditron Pty Ltd	Body corporate	Australia	100%	Australia
Western Biomedical Pty Ltd	Body corporate	Australia	100%	Australia
Designs For Vision Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Designs For Vision (Aust) Pty Ltd	Body corporate	Australia	100%	Australia
Designs For Vision Pty Ltd	Body corporate	Australia	100%	Australia
Electro Medical Group Pty Ltd	Body corporate	Australia	100%	Australia
Midas Software Solutions Pty Ltd	Body corporate	Australia	100%	Australia
Immulab Pty Ltd	Body corporate	Australia	100%	Australia
Insight Surgical Pty Ltd	Body corporate	Australia	100%	Australia
Medtech Solutions Pty Ltd	Body corporate	Australia	100%	Australia
Surgical Specialties Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Surgical Specialties Group Pty Ltd	Body corporate	Australia	100%	Australia
Surgical Specialties Pty Ltd	Body corporate	Australia	100%	Australia
Therapy Specialties Pty Ltd	Body corporate	Australia	100%	Australia
Pergamon Technologies Pty Ltd	Body corporate	Australia	100%	Australia
Immuno Pty Ltd	Body corporate	Australia	100%	Australia
Labgear Australia Pty Ltd	Body corporate	Australia	100%	Australia
Paragon Medical Pty Ltd	Body corporate	Australia	100%	Australia
Scanmedics Pty Ltd	Body corporate	Australia	100%	Australia
Lovell Surgical Supplies International Pty Ltd	Body corporate	Australia	100%	Australia
Lovell Surgical Supplies Pty Ltd	Body corporate	Australia	100%	Australia
Lovell Surgical Solutions Pty Ltd	Body corporate	Australia	100%	Australia
Total Communications (Australia) Pty Ltd	Body corporate	Australia	100%	Australia
Quantum Health Group Limited	Body corporate	Australia	100%	Australia
Quantum Energy Technologies Pty Ltd	Body corporate	Australia	100%	Australia
Quantum Healthcare Australia Pty Ltd	Body corporate	Australia	100%	Australia
Medishop Pty Ltd	Body corporate	Australia	100%	Australia
Quantum Solar Power Pty Ltd	Body corporate	Australia	100%	Australia
Quantum Healthcare Pty Ltd	Body corporate	Australia	100%	Australia
Quantum Legioguard Pty Ltd	Body corporate	Australia	100%	Australia
Specialist Medical Supplies Pty Ltd	Body corporate	Australia	100%	Australia
Paragon Care Group New Zealand Management Services Ltd	Body corporate	New Zealand	100%	Australia
Paragon Care Group New Zealand Ltd	Body corporate	New Zealand	100%	Australia
Paragon Medical Ltd	Body corporate	New Zealand	100%	Australia
Designs for Vision Ltd	Body corporate	New Zealand	100%	Australia
REM Systems Ltd	Body corporate	New Zealand	100%	Australia
Surgical Specialties (NZ) Ltd	Body corporate	New Zealand	100%	Australia
Therapy Specialties Ltd	Body corporate	New Zealand	100%	Australia
Immuno Ltd	Body corporate	New Zealand	100%	Australia
Quantum Energy Technologies (Suzhou) Co Ltd	Body corporate	China	100%	Australia
Suzhou Sheerdrop Wine Co Ltd	Body corporate	China	100%	Australia
Quantum Healthcare Hong Kong Limited	Body corporate	China	100%	Australia
Quantum Holdings Co. Ltd	Body corporate	Korea	100%	Korea
Quantum Health Philippines, Inc	Body corporate	Philippines	100%	Philippines
Quantum Healthcare NZ Ltd	Body corporate	New Zealand	100%	Australia
Quantum Hunex Korea Co. Ltd	Body corporate	Korea	100%	Korea
Quantum Healthcare Co. Ltd	Body corporate	Korea	100%	Korea
Quantum Bio Science Co Ltd	Body corporate	Korea	100%	Korea
Quantum Healthcare Thailand Co. Ltd	Body corporate	Thailand	100%	Thailand
Paragon Care Viet Nam Co. Ltd	Body corporate	Vietnam	100%	Vietnam
Paragon Health Japan Co. Ltd	Body corporate	Japan	100%	Japan

In accordance with a resolution of directors of Paragon Care Limited made pursuant to section 295(5)(a) of the Corporations Act 2001, we state that:

1. In the opinion of the directors:

- a) the financial statements and notes of the Company and its subsidiaries (collectively the Group) 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 2024 and of its performance for the year ended on that date; and
 - (ii) complying with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements:
- b) the financial statements and notes also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements.
- c) the consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act 2001* is true and correct; and
- d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- e) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 39 to the financial statements; and
- f) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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 295(4)(e) of the Corporations Act 2001 for the financial years ended 30 June 2024.

For and on behalf of the Board



Peter Lacaze
Chairman

24 September 2024



**Building a better
working world**

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the members of Paragon Care Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Paragon Care Limited (the 'Company') and its subsidiaries (collectively the 'Group'), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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 year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

a) Accounting for the reverse acquisition of Clifford Hallam

Why significant	How our audit addressed the key audit matter
On 3 June 2024, Paragon Care Limited ('Paragon Care') acquired 100% of the issued capital of CH2 Holdings Pty Limited ('Clifford Hallam') by issuing 943.5 million Paragon Care shares to the shareholders of Clifford Hallam. Transaction costs amounting to \$4.8 million were recognised in the consolidated income statement for the year ended 30 June 2024. As disclosed in Note 36, the acquisition of Clifford Hallam by Paragon Care was considered to be a business combination, which was accounted for as a reverse acquisition in accordance with AASB 3: <i>Business Combinations</i>. As such, Clifford Hallam was determined to be the accounting acquirer of Paragon Care. Accordingly, the consolidated financial statements of Paragon Care for the year ended 30 June 2024 represent the continuation of the business and operations of Clifford Hallam, combined with results of Paragon Care's operations from the acquisition date to 30 June 2024. The acquisition accounting is provisional as at 30 June 2024. The audit of the reverse acquisition is a key audit matter due to the significance of the transaction to the financial statements and accounting complexity resulting from the accounting acquirer and legal acquirer being different and the judgement and estimation required in determining the fair value of the identifiable assets acquired and liabilities assumed. Disclosure in relation to the reverse acquisition is included in Note 36 of the consolidated financial report.	▶ We read the share sale agreement (the 'agreement') and the Explanatory Memorandum issued to the shareholders of Paragon Care to gain an understanding of the key terms and conditions of this transaction. ▶ We assessed the appropriateness of the criteria used to determine the accounting acquirer / legal acquiree (Clifford Hallam) and accounting acquiree / legal acquirer (Paragon Care) and evaluated the Group's accounting treatment against Australian Accounting Standards. ▶ With the assistance of our internal valuation specialists, we tested the shares issued by Paragon Care as consideration by obtaining and inspecting supporting documentation including the agreement, the share issuance documents and evaluating the determination of the fair value of the shares issued as consideration by Paragon Care. ▶ We tested a sample of the transaction costs and checked that the underlying costs were treated in accordance with the requirements of Australian Accounting Standards. ▶ We assessed the Group's determination of the provisional values of identifiable assets acquired and liabilities assumed. ▶ We involved our tax specialists in assessing the reasonableness of the judgements made by the Group in determining the tax impact of the reverse acquisition, including the determination of the Allocable Cost Amount calculations and the tax cost base setting. ▶ We assessed the appropriateness of the disclosures included in Note 36 against the requirements of the Australian Accounting Standards.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 annual report other than the financial report and our auditor's report thereon. We obtained the Directors' report, the Remuneration report and the Shareholder information that are to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 on the other information obtained prior to the date of this auditor's report, 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:

- a) The financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of 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 2024.

In our opinion, the Remuneration Report of Paragon Care Limited for the year ended 30 June 2024, 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.

Ernst & Young

Ernst & Young

Paul Gower

Paul Gower
Partner

Melbourne
24 September 2024

Details of Shares and Performance Rights as at 16 September 2024:

Top Holders

The 20 largest holders of Fully Paid Ordinary Shares as at were:

Name	No. of Shares	%
Peter Andre Lacaze & Dianne Maree Lacaze <Lacaze Family>	471,762,036	28.50
Cherie Maria Millar & David Keith Collins <Collins Millar Family>	471,762,036	28.50
Mr John Walstab ⁽ⁱ⁾	157,956,314	9.54
Citicorp Nominees Pty Limited	83,356,419	5.04
HSBC Custody Nominees (Australia) Limited	72,799,499	4.40
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient>	48,875,287	2.83
First Samuel Ltd ACN 086243567 <ANF ITS MDA Clients A/C>	20,145,625	1.22
J P Morgan Nominees Australia Pty Limited	12,992,454	0.78
Certane CT Pty Ltd <Hayborough OPP Fund>	11,000,000	0.66
Phillip Graham Sidney Pty Ltd <Sidney Super Fund A/C>	8,602,020	0.52
Realm Group Pty Limited	7,520,575	0.45
BNP Paribas Noms Pty Ltd	5,620,955	0.34
Negrone Holdings Pty Ltd <The DFN A/C>	4,727,531	0.29
BNP Paribas Nominees Pty Ltd <HUB24 Custodial Serv Ltd>	4,637,414	0.28
Dixon Trust Pty Limited	4,506,994	0.27
Mrs Sandra Joan McDonald & Mr Andrew McDonald <McDonald Family S/Fund A/C>	4,502,524	0.27
JMT Investment Group VIC Pty Ltd <John Turner Super Fund A/C>	4,500,000	0.27
Rathvale Pty Limited	4,152,250	0.25
JMT Investment Group VIC Pty Ltd	4,000,000	0.24
Mr Richard Albarran	3,942,129	0.24
Mr Drew Townsend	3,942,128	0.24
	1,409,304,190	85.14

(i) Number of shares in this table represent the shares held directly by Mr John Walstab and does not include shares held by intermediate entities associated with Mr John Walstab.

Distribution Schedules

A distribution of each class of equity security as at 16 September 2024:

Fully Paid Ordinary Shares

Range	Total holders	No. of shares	% Units
100,001 and over	420	1,585,257,251	95.77
10,001 to 100,000	1,783	58,306,540	3.52
5,001 to 10,000	817	6,250,893	0.38
1,001 to 5,000	1,858	5,105,907	0.31
1 to 1,000	1,003	384,798	0.02
	5,881	1,655,305,389	100.00

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial Shareholder	No. of shares	%
Peter Andre Lacaze & Dianne Maree Lacaze <Lacaze Family>	471,762,036	28.50
Cherie Maria Millar <Collins Millar Family>	471,762,036	28.50
Mr John Walstab	158,590,731	9.54

Unmarketable Parcels

Holdings less than a marketable parcel of ordinary shares (being 405,533 at \$0.460 per share as at 16 September 2024):

Fully Paid Ordinary Shares	Holders	No. of shares	% of issue shares
Holdings less than a marketable parcel	1,122	520,103	0.07

Voting Rights

The voting rights attaching to fully paid ordinary shares are:

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

Unquoted Performance Rights do not carry any voting rights.

Additional Shareholder Information

The 2024 Annual General Meeting will be held on Wednesday 21 November 2024 at 1.00pm (Melbourne time). Further details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

In accordance with rule 3.5(c) of the Company's constitution, the Closing Date for Nomination of Director is Thursday 10 October 2024. Any nomination must be received in writing no later than 5.00pm (Melbourne time) on Thursday 10 October 2024 at the Company's Registered Office.