ACN 009 074 588

27 February 2017

Market Announcements
Australian Stock Exchange
Level 5, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

RESULTS FOR HALF YEAR ENDED 31 DECEMBER 2016

Zenitas Healthcare Limited (ASX: ZNT) ("Zenitas" or the "Group") today announces its results for the half year ended 31 December 2016. The Group reported total revenues of $2.2 million and a statutory net loss after tax of $1.682 million. The result included acquisition and business development costs of $1.212 million related to the acquisition of five community healthcare businesses completed on 30 December 2016, however the half year result did not include any contribution from those five businesses.

Zenitas Managing Director and CEO, Mr Justin Walter, said: "Zenitas successfully completed the acquisition of five community healthcare businesses on 30 December 2016, as outlined in Zenitas' prospectus, and successfully relisted on ASX 13 January 2017. Integration of these acquisitions with Zenitas is underway and synergies are being addressed. Zenitas' statutory results for the first half of FY17 were in line with expectations, with the performance of the Modern Medical business as expected. The Group will report the financial performance of the five acquisitions in the 2017 Financial Report."

In addition, Mr Walter confirmed that: "Pro forma Group EBITDA of $6.6m has been confirmed for the full 2017 financial year, in line with the Group's prospectus. Zenitas has a strong balance sheet and funding position and to date Zenitas is pleased with the acquisition opportunities that have been identified, with an extensive pipeline of opportunities currently under review. Zenitas expect its next round of key acquisitions to be announced during the current financial year."

For further information please refer to the attached Appendix 4D Half Year Report.

JUSTIN WALTER
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
0439 112 464

Investor Enquiries contact:
SHANE TANNER
CHAIRMAN
0411 107 099

ZENITAS HEALTHCARE LIMITED

(Formerly known as BGD Corporation Ltd)

ABN 78 009 074 588

ASX Appendix 4D and Half Year Report

31 December 2016

CONTENTS

This information should be read in conjunction with the 2016 Annual Report of Zenitas Healthcare Limited ("Company") and its controlled entities and any public announcements made in the period by the Company in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

Zenitas Healthcare Limited
and Controlled Entities

Appendix 4D – Interim Financial Report for the Half-Year Ended 31 December 2016

Results for Announcement to the Market

Key information	Half-year Ended 31 Dec 2016 $	Half-year Ended 31 Dec 2015 $	% Change
Trading revenue	2,032,047	-	N/A
Other income	167,909	-	N/A
Finance income	1,813	7,007	(74%)
Total revenue and income from ordinary activities	2,201,769	7,007	31,322%
Loss after tax from ordinary activities attributable to members	(1,682,125)	(917,741)	(83%)
Net loss attributable to members	(1,682,125)	(917,741)	(83%)

Net tangible assets per share	As At 31 Dec 2016 Cents per share	As At 30 Jun 2016 Cents per share
Net tangible assets per share	11.94	2.84

Dividends paid and proposed

No dividends were paid or proposed during the period.

Control gained over entities during the year

The group settled five acquisitions on 30 December 2016 and recommenced trading on ASX on 13 January 2017.

Changes in equity

During the period the Company consolidated its shares on a 1:23.8 basis (completed on 23 December 2016) and undertook an equity capital raising of $30.28m, issuing 30,280,000 new shares at an issue price of $1 per share. The Company also issued 1,747,532 ordinary shares as partial consideration for certain acquisitions at an issue price of $0.95 - $1.00 per share on 30 December 2016.

Your Directors present their report, together with the financial statements of Zenitas Healthcare Limited ("the Company") and controlled entities ("the Group") for the financial half year ended 31 December 2016.

Directors

The names of the directors who held office from 1 July 2016 to date of this report, unless otherwise stated, are:

Mr Shane Tanner – Non-Executive Chairman

Mr Jonathan Lim – Non-Executive Director

Dr Todd Cameron – Executive Director

Mr Jeremy Kirkwood – Alternate Director for Todd Cameron

Mr Justin Walter – Managing Director and Chief Executive Officer (appointed 19 September 2016)

Company Secretary

The name of the Company Secretary in office at the end of the half year was Mr. Heath Roberts. On 13 February 2017 Mr Adrien Wing was appointed Company Secretary, with Mr Heath Roberts resigning.

Change of Name

On 15 December 2016, BGD Corporation Ltd (BGD:ASX) changed its name to Zenitas Healthcare Limited (ZNT:ASX) and recommenced trading on the ASX on 13 January 2017.

Nature of Operations and Principal Activities

During the period, the principal continuing activities of the Company consisted of the ongoing operation of three medical clinics in Melbourne, Victoria known as Modern Medical.

The Company completed the acquisition of five community healthcare businesses as described in the Company's prospectus dated 15 November 2016 and supplementary prospectus dated 24 November 2016 (together, the Prospectus) on 30 December 2016.

Dividends Paid or Recommended

There were no dividends paid or recommended during the half year ended 31 December 2016.

Review of operations

During the half year ended 31 December 2016, the Company executed the first stage of its healthcare strategy through the acquisition of five businesses in the Allied Health, Home Care and Primary Care segments (the Acquisitions). The Company also successfully integrated the Modern Medical clinics acquired in April 2016.

The strategic decision to establish a primary healthcare business in medical general practice, allied health and home care services was made following careful consideration by the Board of the:

- Compelling macroeconomic growth drivers in healthcare including a growing and ageing population and an increased incidence of chronic disease;
- Favourable government funding policies pushing supply from public to private service providers;
- Significant scope for ongoing industry consolidation with incumbent corporate groups accounting for less than 10% of the acquirable market; and the
- Opportunity to provide a differentiated point of care in the clinics by way of acquiring and building integrated medical clinics which house both primary healthcare and a range of allied health services (for example; physiotherapy, mental health and optometry).

During the period the Company also consolidated its shares on a 1:23.8 basis (completed on 23 December 2016) and undertook an equity capital raising of $30.28m, issuing 30,280,000 new shares at an issue price of $1 per share.

Shareholder approval for all actions necessary to complete the Acquisitions was received on 15 December 2016 at the Company's Annual General Meeting; and the Acquisitions were completed on 30 December 2016.

Financial Review

Loss from continuing operations

The Group reported trading revenue of $2,032,047 (2015: nil), and a loss for the half year of $1,682,125 (2015: $917,741). As the Acquisitions were completed on 30 December 2016, the current period revenues all relate to the Group's medical centre operations from 1 July 2016 to 31 December 2016. No prior period trading revenue as at 31 December 2015 has been reported on this basis.

The loss for the half year included acquisition and business development costs related to the Acquisitions which were completed on 30 December 2016.

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents for the half year ended 31 December 2016 of $11,369,647 (30 June 2016: $795,050). This increase was driven by the equity capital raising of $30.28 million in December 2016 and the operating performance of the Modern Medical clinics acquired, offset by costs associated with the acquisitions and other business development activities.

Capital Structure

Issued equity

Pursuant to resolutions passed at Annual General Meeting held on 15 December 2016, a 1:23.8 share consolidation was effected on 23 December 2016.

The Acquisitions were funded by the issue of 30,280,000 shares (post-consolidation) at an issue price of $1 per share to raise $30.28 million on 30 December 2016. Capital raising costs of $4,663,464 were incurred.

Pursuant to the Securities Purchase Agreement (SPA) and Business Purchase Agreements (BPA) with the vendors, 1,747,532 ordinary shares as partial consideration for certain of the acquisitions at an issue price of $0.95 - $1.00 per share on 30 December 2016.

Pursuant to resolutions passed at Annual General Meeting held on 15 December 2016, 400,000 options (post-consolidation), exercisable at $1.00 each, were issued to Mr Shane Tanner.

Debt facility

During the period the Company received a credit-approved, binding offer from Westpac Banking Corporation for a $16.65m multi-level debt facility. The Company subsequently executed formal Debt Facility Agreements in February 2017.

Acquisitions

On 30 December 2016, the Company completed the acquisition of five community healthcare businesses as described in the Company's Prospectus.

The Company paid to the vendors of the five businesses a total upfront purchase price of $15,701,133 of which $1.676 million was satisfied by the issues of shares in the Company.

An earn-out may be payable to certain vendors based on the financial performance of the relevant businesses for the year ended 30 June 2017 (HNA and Caring Choice) and 30 June 2018 (Caring Choice). Further details regarding the Acquisitions are outlined in Note 6 to the financial statements.

Significant Changes in State Of Affairs

Shareholder approval was received by the Company on 15 December 2016 for all actions necessary to complete the Acquisitions, consolidate the Company's shares on a 1:23:8 basis (completed 23 December 2016), and conduct an equity capital raising of $30.28 million to issue 30,280,000 new shares at an issue price of $1 per share.

On 30 December 2016, the Company completed the Acquisitions.

Events Subsequent to Reporting Date

On 13 January 2017, the Company successfully relisted on the ASX trading as ZNT.

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

On 9 February 2017, the Company entered into binding agreements with Westpac Banking Corporation (Westpac) in relation to the provision of debt funding (Debt Facilities). The aggregate facility limit under the Debt Facilities is $16,650,000.

Auditor's Independence

The auditor's independence declaration for the half year ended 31 December 2016 has been received and a copy is reproduced on page 5.

Rounding

The amounts contained in this report and the half year financial report have been rounded to the nearest dollar (where rounding is applicable) unless otherwise indicated.

This Record is made in accordance with a resolution of the Board of Directors and signed on behalf of the Board by:

Shane Tanner
Non-Executive Chairman
27 February 2017

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Auditor's Independence Declaration to the Directors of Zenitas Healthcare Limited

As lead auditor for the review of Zenitas Healthcare Limited for the half-year ended 31 Dec 2016, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Zenitas Healthcare Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Gamini Martinus

Gamini Martinus
Partner
27 February 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2016

		CONSOLIDATED	
		31 Dec 2016	31 Dec 2015
	Note	$	$
Continuing operations			
Trading revenue	3	2,032,047	-
Other income	3	167,909	-
Income		**2,199,956**	**-**
Employee benefits expense		(1,468,653)	(54,833)
Management fees		(120,000)	(120,000)
Administrative expenses		(459,382)	(102,304)
Acquisition costs		(996,350)	(326,835)
Impairment of investments		-	(300,000)
Rent and property costs		(449,436)	-
Consumables		(70,940)	-
Depreciation and amortisation		(146,860)	-
Other expenses		(152,455)	(20,378)
Results from operating activities		**(1,664,120)**	**(924,350)**
Finance costs		(19,818)	(398)
Finance income		1,813	7,007
Loss before tax from continuing operations		**(1,682,125)**	**(917,741)**
Income tax expense		-	-
Loss for the period from continuing operations		**(1,682,125)**	**(917,741)**
Other comprehensive income:			
Other comprehensive loss for the period, net of tax		-	-
Total comprehensive loss for the period attributable to the equity holders of the parent		**(1,682,125)**	**(917,741)**

		CONSOLIDATED	
		31 Dec 2016	31 Dec 2015
Loss per share attributable to the ordinary equity holders of the Company:	Note	Cents per share	Cents per share
Basic loss - cents per share	4	(13.39)	(20.94)
Diluted loss cents - per share	4	(13.39)	(20.94)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the half-year ended 31 December 2016

		CONSOLIDATED	
		31 Dec 2016	30 June 2016
	Note	$	$
CURRENT ASSETS			
Cash and cash equivalents	5	13,368,837	1,999,190
Trade and other receivables		753,243	309,487
Inventory		261,051	-
Other assets		275,917	157,893
TOTAL CURRENT ASSETS		**14,659,048**	**2,466,570**
NON-CURRENT ASSETS			
Plant and equipment		3,214,877	510,823
Prepayments		356,250	452,083
Intangible assets		26,357,611	5,669,556
Other		23,242	20,024
TOTAL NON-CURRENT ASSETS		**29,951,980**	**6,652,486**
TOTAL ASSETS		**44,611,028**	**9,119,056**
CURRENT LIABILITIES			
Trade and other payables	7	7,597,741	1,884,459
Short term provisions	7	4,321,922	327,928
Interest bearing liabilities		148,907	150,755
TOTAL CURRENT LIABILITIES		**12,068,570**	**2,363,142**
NON-CURRENT LIABILITIES			
Provisions	7	625,400	386,722
Interest bearing liabilities		276,194	352,251
TOTAL NON-CURRENT LIABILITIES		**901,594**	**738,973**
TOTAL LIABILITIES		**12,970,164**	**3,102,115**
NET ASSETS		**31,640,864**	**6,016,941**
SHAREHOLDERS'EQUITY			
Issued capital	8	90,548,867	63,255,851
Reserves		1,406,450	1,393,418
Accumulated losses		(60,314,453)	(58,632,328)
SHAREHOLDERS' EQUITY		**31,640,864**	**6,016,941**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2016

		CONSOLIDATED			
		Issued Capital	Option Reserves	Accumulated Losses	Total
	Note	$	$	$	$
Balance at 1 July 2016		**63,255,851**	**1,393,418**	**(58,632,328)**	**6,016,941**
Loss for the period		-	-	(1,682,125)	(1,682,125)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		**-**	**-**	**(1,682,125)**	**(1,682,125)**
Transactions with owners, recognised directly in equity					
Issued to vendor - consideration shares		1,676,480	-	-	1,676,480
Issue of equity instruments		30,280,000	-	-	30,280,000
Share based payments		-	13,032	-	13,032
Capital raising costs		(4,663,464)	-	-	(4,663,464)
Balance at 31 December 2016	**8**	**90,548,867**	**1,406,450**	**(60,314,453)**	**31,640,864**

Balance at 1 July 2015		**56,437,509**	**1,362,735**	**(56,309,040)**	**1,491,204**
Loss for the period		-	-	(917,741)	(917,741)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		**-**	**-**	**(917,741)**	**(917,741)**
Balance at 31 December 2015	**8**	**56,437,509**	**1,362,735**	**(57,226,781)**	**573,463**

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

CONSOLIDATED CASH FLOW STATEMENT
For the half-year ended 31 December 2016

	Note	CONSOLIDATED 31 Dec 2016 $	31 Dec 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,762,764	-
Payments to suppliers and employees		(2,205,102)	(572,758)
Payments for acquisition transaction costs		(918,153)	-
Interest received		1,720	7,007
Interest paid		(18,296)	(398)
Net cash (used in) operating activities		**(1,377,067)**	**(566,149)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Acquisitions		(15,701,133)	-
Cash acquired from acquisitions		382,716	-
Payments for deposits		-	-
Payment for options over additional Modern Medical businesses		-	-
Payments for asset purchases		(20,146)	-
Net cash (used in) investing activities		**(15,338,563)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments		30,280,000	-
Proceeds from the repayment of share option loan		42,000	-
Capital raising costs		(2,156,955)	-
Repayment of borrowings		(79,768)	-
Net cash from financing activities		**28,085,277**	**-**
Net increase in cash and cash equivalents		11,369,647	(566,149)
Cash and cash equivalents at the beginning of the period		1,999,190	1,204,140
Cash and cash equivalents at the end of the period	5	**13,368,837**	**637,991**

The above cash flow statement be read in conjunction with the accompanying notes.

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

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

These interim statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*. For the purpose of preparing these financial statements, Zenitas is a for-profit entity.

This financial report covers Zenitas Healthcare Limited (previously BGD Corporation Ltd) and was authorised for issue in accordance with a resolution of Directors on 27 February 2017.

These financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report. The half-year financial report should be read in conjunction with the annual financial report of Zenitas Healthcare Limited (previously BGD Corporation Ltd) as at 30 June 2016 and any public announcement made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

a) Basis of preparation

The half-year financial report has been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

The amounts contained in the half year financial report have been rounded to the nearest dollar (where rounding is applicable) unless otherwise stated.

b) Significant accounting policies

The half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2016.

c) New, revised or amending Accounting Standards and Interpretation adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

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

d) Fair Value

Due to their short-term nature, the Directors considered the carrying amounts of cash, current receivables and current payables to approximate their fair value.

e) Comparative information

Comparative amounts have been reclassified and repositioned where necessary for consistency with current period disclosures to provide meaningful comparisons for users, with the income statement comparative date 31 December 2015 and all other disclosures 30 June 2016.

f) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for.

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

NOTE 2: SEGMENT INFORMATION

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

The Group only had one segment being, the operation of medical clinics in Victoria before the acquisition. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

Following the acquisitions on 30 December 2016, Zenitas has identified its operating segments as operating in the Allied Health, Home Care and Primary Care segments and this will reflect internal reports that will be reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

NOTE 3: REVENUE AND OTHER INCOME

	CONSOLIDATED	
	31 Dec 2016 $	31 Dec 2015 $
Trading Revenue	2,032,047	-
Other Income	167,909	-
Income	**2,199,956**	**-**
Finance income		
Interest received from non-related parties	**1,813**	**7,007**

NOTE 4: LOSS PER SHARE

	CONSOLIDATED	
	31 Dec 2016 $	31 Dec 2015 $
Loss per share	(13.39) cents	(20.94) cents
Loss used in calculation of basic EPS	(1,682,125)	(917,741)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	12,564,533	4,369,941

The weighted average number of ordinary shares used in the calculation of loss per share for the half-year ending 31 December 2016 has been adjusted for the share consolidation completed by the company on 23 December 2016. Diluted loss per share has not been calculated as any options outstanding at 31 December 2016 and 31 December 2015 will be anti-dilutive.

NOTE 5: CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec 2016 $	31 Dec 2015 $
Cash and Cash Equivalents		
Cash at bank	13,368,837	637,991
Total cash and cash equivalents in the statement of cash flows	**13,368,837**	**637,991**

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

NOTE 6: BUSINESS COMBINATIONS AND ACQUISITIONS

A) Acquisition of Majority of Securities of HNA

On 30 December 2016, Zenitas HNA Pty Ltd, a wholly owned subsidiary of Zenitas Healthcare Limited, acquired a majority interest in the securities of the following entities:

- The HNA Physio (QLD) Unit Trust
- The HNA Physio (NSW) Unit Trust
- The HNA Physio (VIC) Unit Trust
- The Lifecare Physio (VIC) Unit Trust
- The Lifecare Physio (WA) Unit Trust

The principal activities of the acquired entities are the operation of Allied Health clinics under the “Health Networks Australia” and “Lifecare” brands in Victoria, New South Wales, Western Australia and Queensland, providing a range of physiotherapy and complementary Allied Health services.

The acquisition is expected to significantly increase the Group’s capability in the Allied Health market.

Purchase consideration

The total purchase consideration paid was $13,610,700 made up as follows:

	$
Cash consideration – paid	8,497,133
Cash consideration - deferred	1,148,258
Consideration shares issued at fair value	1,349,998
Contingent consideration	2,615,311
Purchase price	**13,610,700**

100 percent of the net assets recognised as a result of the acquisition are as follows:

	Fair value $
Cash at bank	300,000
Inventory	246,966
Plant and equipment	1,632,546
Trade Payables	(479,339)
Unearned Income	(270,715)
Operating Lease liability	(26,492)
Deferred consideration provision relating to physiotherapy practices acquired by HNA prior to 30 December 2016	(163,250)
Annual Leave Liability	(496,612)
Long Service Leave Liability	(489,340)
Net assets	**253,764**

Based on the provisional balance sheet at acquisition, goodwill was calculated and recognised in the 31 December 2016 half-year report as follows:

	$
Purchase price	13,610,700
Fair value of net assets acquired	(253,764)
Goodwill recognised in the accounts	**13,356,936**

The net assets recognised in the 31 December 2016 financial statements were based on a provisional assessment of fair value. The acquisition accounting will be finalised within 12 months of the purchase.

Contingent consideration

The deferred consideration payment, calculated a multiple of 5.5 of forecast FY17 EBITDA (less minority interests not acquired by Zenitas HNA Pty Ltd), less the headline purchase price of $11,482,250; is equal to the deferred consideration amount recognised as a short-term provision in the financial accounts.

The deferred consideration as at acquisition date is calculated on a probability weighted basis of overperforming or underperforming forecast FY17 EBITDA. The probably is based on estimates from management of the likelihood of earnings performance based on current performance.

The deferred consideration is payable, at the HNA vendor's election, either in cash or the issue of Shares at a deemed issue price equal to the 20 trading day VWAP for the Shares.

Contingent liability – buyer of last resort

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

As part of this program, a subsidiary company within the Group acts as a "buyer of last resort" to all physiotherapist equity holders should they wish to sell their equity and a suitable buyer cannot be found. Such purchases are to be completed within 12 months after the date of receipt of notice of intention to sell given by the physiotherapist equity holder. At 31 December 2016, no such notices had been received.

As no such notices of intention to sell had been received at 31 December 2016, no liability has been recorded. The total potential liability, contingent on receiving notices of intention to sell, is $4,148,655 (2015: $nil). To the extent an amount is paid by the Group, it will acquire the “practice” units held by the transferring unitholder and the income stream derived from such “practice” units.

Contingent liability – put and call option over remaining HNA clinics

The HNA Trusts have a class of units on issue for each clinic operated by the trust. In anticipation of completion under the HNA Sale Agreement, the trustees of the HNA Trusts will transfer the business and assets of each of the four underperforming clinics to separate, newly established trusts with the same unitholder structure as the class of units in the relevant HNA Trust that previously related to the relevant clinic (Remaining Clinic Trusts). Zenitas will continue to provide head office services to the Remaining Clinic Trusts on and from completion until the Option is exercised or lapses.

Zenitas HNA has entered into put and call option deed to acquire 85%, 100%, 95% or 80% of all the units on issue in each of the Turner Unit Trust, Fremantle Unit Trust, Melville Unit Trust or Joondalup Unit Trust (respectively), being the Remaining Clinic Trusts owning the non-performing clinics referred to above.

The options under the HNA Option Deeds can only be exercised to acquire the relevant proportion of units in a Remaining Clinic Trust referred to above, if the Maintainable EBITDA of the clinic operated by that trust is a minimum of 2% of total revenue for that clinic for three consecutive months and the HNA Sale Agreement has completed.

As at 31 December 2016, given these four clinics have not to date met the Maintainable EBITDA requirement necessary to exercise the option, the options are considered to have no intrinsic value as at 31 December 2016.

B) Acquisition of Business Assets and Certain Liabilities of Caring Choice

On 30 December 2016, Zenitas Caring Choice Pty Ltd, a wholly owned subsidiary of Zenitas Healthcare Limited, acquired Business Assets and certain liabilities (Assumed Liabilities) from Caring Choice Pty Ltd.

The principal activities of the acquired entity are the provision of flexible in-home and respite community care covering aged, disability and 24-hour care services, operating 17 respite cottages in Adelaide and regional South Australia.

The acquisition is expected to increase the Group’s presence in the Home Care market.

Purchase consideration

The total purchase consideration paid was $2,183,087 made up as follows:

	$
Cash consideration	2,183,087
Purchase price	**2,183,087**

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

	Fair value $
Plant and equipment	25,343
Assumed liabilities	(116,899)
Net liabilities acquired	**(91,556)**

Based on the provisional balance sheet at acquisition, goodwill was calculated and recognised in the 31 December 2016 half-year report as follows:

	$
Purchase price	2,183,087
Fair value of net liabilities acquired	91,556
Goodwill recognised in the accounts	**2,274,643**

The net assets recognised in the 31 December 2016 financial statements were based on a provisional assessment of fair value. The acquisition accounting will be finalised within 12 months of the purchase.

C) Acquisition of Business Assets and Certain Liabilities of Ontrac

On 30 December 2016, Zenitas Ontrac Pty Ltd, a wholly owned subsidiary of Zenitas Healthcare Limited, acquired Business Assets and certain liabilities (Assumed Liabilities) from OnTrac Healthcare Pty Ltd, OnTrac Lifestyle Management (NSW) Pty Ltd and Australian Health Corporation Pty Ltd ("Ontrac").

The principal activities of the acquired entity are the provision of specialised treatments for workplace and other injury rehabilitation, chronic disease management and prevention, weight loss, seniors' health and overall personal wellbeing across three clinics in New South Wales.

The acquisition is expected to significantly increase the Group's capability in the Allied Health market.

Purchase consideration

The total purchase consideration paid was therefore $3,515,710 made up as follows:

	$
Cash consideration	3,335,798
Consideration shares issued at fair value	179,912
Purchase price	**3,515,710**

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

	Fair value $
Plant and equipment	799,752
Assumed liabilities	(65,078)
Net assets acquired	**734,674**

Based on the provisional balance sheet at acquisition, goodwill was calculated and recognised in the 31 December 2016 half-year report as follows:

	$
Purchase price	3,515,710
Fair value of net assets acquired	(734,674)
Goodwill recognised in the accounts	**2,821,036**

The net assets recognised in the 31 December 2016 financial statements were based on a provisional assessment of fair value. The acquisition accounting will be finalised within 12 months of the purchase.

D) Acquisition of Business Assets and Certain Liabilities of St Kilda Road Medical Centre

On 30 December 2016, Zenitas St Kilda Pty Ltd, a wholly owned subsidiary of Zenitas Healthcare Limited, acquired Business Assets and certain liabilities (Assumed Liabilities) from Public Health Management Pty Ltd.

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

The acquisition is expected to increase the Group's capability in the Primary Care market and provide a strong referral source in its region for the Allied Health segment.

Purchase consideration

The total purchase consideration paid was $1,886,026 made up as follows:

	$
Cash consideration - paid	1,703,151
Cash consideration - deferred	182,875
Purchase price	**1,886,026**

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

	Fair value $
Cash at bank	82,716
Trade and other receivables	358,402
Inventory	14,085
Other current assets	30,879
Plant and equipment	258,822
Trade Creditors	(310,744)
Annual Leave Liability	(28,143)
Long Service Leave Liability	(21,465)
Net assets acquired	**384,552**

The net assets recognised in the 31 December 2016 financial statements were based on a provisional assessment of fair value. The acquisition accounting will be finalised within 12 months of the purchase.

Based on the provisional balance sheet at acquisition, goodwill was calculated and recognised in the 31 December 2016 half-year report as follows:

	$
Purchase price	1,886,026
Fair value of net assets acquired	(384,552)
Goodwill recognised in the accounts	**1,501,474**

E) Acquisition of Business Assets and Certain Liabilities of Dandenong Medical Centre

On 30 December 2016, Zenitas Dandenong Pty Ltd, a wholly owned subsidiary of Zenitas Healthcare Limited, acquired Business Assets and certain liabilities (Assumed Liabilities) from Dandenong Medical Centre Pty Ltd.

The principal activities of the acquired entity are the provision general practitioner services, occupational health, pathology services, chronic disease management, travel health, skin health, physiotherapy, dietetics, optometry, dentistry, psychologist and gynaecology.

The acquisition is expected to increase the Group's capability in the Primary Care market and provide a strong referral source in its region for the Allied Health segment.

Purchase consideration

The total purchase consideration paid was $666,746 made up as follows:

	$
Cash consideration	520,177
Consideration shares issued at fair value	146,569
Purchase price	**666,746**

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

	Fair value $
Plant and equipment	11,682
Assumed liabilities	(30,414)
Net liabilities acquired	**(18,732)**

Based on the provisional balance sheet at acquisition, goodwill was calculated and recognised in the 31 December 2016 half-year report as follows:

	$
Purchase price	666,746
Less: Fair value of net liabilities acquired	18,733
Goodwill recognised in the accounts	**685,479**

The net assets recognised in the 31 December 2016 financial statements were based on a provisional assessment of fair value. The acquisition accounting will be finalised within 12 months of the purchase.

F) Goodwill from acquisitions

	$
HNA	13,356,936
Caring Choice	2,274,643
Ontrac	2,821,036
St Kilda Road Medical Centre	1,501,474
Dandenong Medical Centre	685,479
Total goodwill recognised from acquisitions	**20,639,568**

The goodwill of $20,639,568 comprises the fair value of expected synergies arising from the acquisitions. The goodwill recognised in the 31 December 2016 financial statements was based on a provisional assessment. The acquisition accounting will be finalised within 12 months of the purchase.

G) Acquisition related costs

The costs related to the above business acquisitions totalled $996,350 and is included in expenses in the profit and loss statement.

NOTE 7: TRADE PAYABLES AND ACCRUALS

	CONSOLIDATED	
	31 Dec 2016 $	30 Jun 2016 $
Trade and Other Payables		
Current		
Trade payables and accruals	7,031,677	1,200,414
Unearned income	566,064	684,045
	7,597,741	**1,884,459**
Provisions		
Current		
Employee benefits	1,171,494	88,886
Earn-out provision	3,123,619	239,042
Operating lease liability provision	26,809	-
	4,321,922	**327,928**
Provisions		
Non-Current		
Employee benefits	211,200	13,624
Lease make-good provision	70,000	70,000
Operating lease liability provision	344,200	303,098
	625,400	**386,722**

Terms and conditions of the above liabilities:

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

Earn-out provision

Refer Note 6(a) for details of the earn-out provision movement.

Lease make-good provision

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

Operating lease liability provision

On acquisition of HNA and Ontrac, a provision was recognised for the fact that the agreed lease payments on the operating lease were significantly lower for an agreed period. The provision has been calculated based on the difference between the market rate and the actual rate paid.

NOTE 8: ISSUED CAPITAL AND RESERVES

		CONSOLIDATED	
		31 Dec 2016	31 Dec 2016
Date	Details	Shares	$
1-Jul-16	Opening balance	12,216,408	63,255,851
30-Dec-16	Share issue - General placement	30,000,000	30,000,000
30-Dec-16	Share issue costs	-	(4,663,464)
30-Dec-16	Share issue - Vendor & HNA personnel offer	2,027,243	1,956,479
31-Dec-16	**Closing balance**	**44,243,651**	**90,548,867**

		CONSOLIDATED	
		31 Dec 2015	31 Dec 2016
Date	Details	Shares	$
1-Jul-15	Opening balance	4,369,941	56,437,509
31-Dec-15	**Closing balance**	**4,369,941**	**56,437,509**

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

Share consolidation

Pursuant to resolutions passed at the Annual General Meeting held on 15 December 2016, a 1:23.8 share consolidation was effected on 23 December 2016. All shares have been retrospectively adjusted to reflect this.

Share issue under Prospectus

Pursuant to a Prospectus issued on 15 November 2016, 30,000,000 fully paid ordinary shares were issued at $1.00 per share on 30 December 2016. Additionally, 280,000 fully paid ordinary shares were issued at $1.00 per share on 30 December 2016 to HNA personnel pursuant to a Prospectus issued on 15 November 2016.

Share issue as vendor consideration (& HNA personnel offer)

Pursuant to the Sale Deed with the vendors of Dandenong Medical Centre and Ontrac, 326,481 fully paid ordinary shares were issued at $1.00 per share on 30 December 2016. Pursuant to the HNA SPA, 1,421,053 fully paid ordinary shares were issued to the HNA vendors at $0.95 per share on 30 December 2016.

Options issued

On 30 December 2016, the Non-Executive Chairman, Mr Shane Tanner was issued 400,000 options at a $1.00 exercise price.

NOTE 9: FAIR VALUE MEASUREMENT

The following tables detail the Group's 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 (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Consolidated 31 Dec 2016

	Level 1	*Level 2*	*Level 3*	*Total*
Liabilities	$	$	$	$
Contingent consideration *	-	-	3,123,619	3,123,619
Total liabilities	**-**	**-**	**3,123,619**	**3,123,619**

Consolidated 30 June 2016

	Level 1	*Level 2*	*Level 3*	*Total*
Liabilities	$	$	$	$
Contingent consideration	-	-	239,042	239,042
Total liabilities	**-**	**-**	**239,042**	**239,042**

* The majority of the contingent consideration balance includes amounts related to the acquisition of HNA. As at 31 December 2016, contingent consideration of $2,778,261 (30 June 2016: $nil) related to this acquisition and is included in short-term provisions. The fair value of contingent consideration is determined using multiples of estimated EBITDA of the acquired entity in the future periods. If the EBITDA achieved is greater than 50% of the current forecast the estimated payout would be $3.5m. If the EBITDA achieved is 5% under the current forecast the estimated payout would be $2.7m.

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 liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. The financing liabilities have been recently renegotiated at market rates and therefore their carrying value approximates fair value (Level 2 of the hierarchy).

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated

	Contingent consideration	Total
	$	$
Balance at 1 July 2016	239,042	239,042
Increase in contingent consideration - Modern Medical	106,316	106,316
Contingent consideration recognised - HNA	2,778,261	2,778,261
Balance at 31 December 2016	**3,123,619**	**3,123,619**

NOTE 10: RELATED PARTY DISCLOSURES

Loans to KMP and their related parties

There were no loans made to Key Management Personnel during the period.

Amounts payable to related parties

In relation to Modern Medical acquisition, an amount of $194,527 is payable to Mr Todd Cameron (Director) for the earn out component payable as at 31 December 2016. This amount is remuneration.

No other amounts were due to the Directors as at 31 December 2016.

Acquisition of St Kilda Road Medical Centre

Shane Tanner (Non-Executive Director and Chairman of the Board) and his wife received sale proceeds of $499,547 for the sale of their 32.27% interest in the St. Kilda Road Medical Centre transaction - refer to Note 5(d). Shane Tanner is a director of the St. Kilda Road Medical Centre. Shane Tanner and his wife received a benefit from the completion of the St. Kilda Road Sale Agreement in the form of the St. Kilda Road Medical Centre Vendor distributing the proceeds of the sale to their controlled entity as a dividend. Neither Shane Tanner, nor his wife, have been involved in the negotiations or any decision to proceed with the St. Kilda Road Sale Agreement on either the buy side (for the Company) or the sell side (for the St. Kilda Road Medical Centre Vendor). The Board considers that the St. Kilda Road Sale Agreement is on arm's length, commercial terms.

Other transactions and balances with KMP and their related parties

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

- Transaction advisory fees of $1,529,164 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Project identification and management fees of $120,000 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.
- Reimbursement of travel and incidental expenses of $138,713 paid to Liverpool Partners Pty Ltd, a Company associated with Director Mr Jonathan Lim.

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

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

Debt Facility Agreements

On 9 February 2017, the Company entered into binding agreements with Westpac Banking Corporation (Westpac) in relation to the provision of debt funding (Debt Facilities). The aggregate facility limit under the Debt Facilities is $16,650,000.

The Debt Facilities consist of:

- Bank Bill Business Loan – Facility A of $10 million to fund the initial purchase price of acquisitions;
- Bank Bill Business Loan – Facility B of $3 million to fund the payment of the deferred consideration, if any, in respect of the acquisition of Health Networks Australia and Caring Choice;
- Revolving Equipment Finance facility of $1 million for capital expenditure requirements;
- Bank Guarantee facility of $1.25 million to fund property rental bond requirements; and
- Other Working Capital facilities totaling $1.4 million.

The key terms of the Debt Facilities are summarised below.

Security

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

Expiry

The Bank Bill Business Loan – Facility A and Facility B and the Bank Guarantee facility expire 3 years from the date of drawdown and the Revolving Equipment Finance facility expires 5 years from the date of drawdown.

Undertakings and financial covenants

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

- not allowing any encumbrance over, or disposing of, the Company's assets, without prior consent;
- other than in the ordinary course of business, not permitting further financial indebtedness to be incurred by the Company; and
- financial covenants, including:
  - Interest Cover Ratio greater than 3 times, calculated semi-annually in December and June on a year to date basis, defined as earnings before interest and tax (EBIT) divided by all gross interest expenses;
  - Leverage Ratio above 3 times, calculated annually in June on a year to date basis, defined as total bank debt divided by earnings before interest, tax, depreciation and amortisation (EBITDA) after non-controlling interests; and
  - Equity Ratio of the Group at all times not less than 30%, calculated semi-annually in December and June on a year to date basis, defined as total shareholder funds divided by total assets (including goodwill, trademarks and intangibles).

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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

1. In the opinion of the directors:

(a) the financial statements and notes of Zenitas Healthcare Limited for the half-year ended 31 December 2016 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 31 December 2016 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;

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

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

2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the half- year ended 31 December 2016.

Shane Tanner

Non-Executive Chairman

27 February 2017

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To the members of Zenitas Healthcare Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Zenitas Healthcare Limited, which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Zenitas Healthcare Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Gamini Martinus
Partner
Sydney
27 February 2017