

Appendix 4E – Preliminary Final Report

Strong Sales Momentum in Healthcare Imaging Services

28 February 2019. ImExHS Limited (ASX: IME), a leading medical imaging solutions company currently operating in 11 countries in Latin America, is pleased to announce its unaudited results under Appendix 4E – Preliminary Final Report for the full year ended 31 December 2018. As the Company relisted on 3 September 2018, the year brought about marked positive changes with emphasis on substantial, global growth opportunities ahead and repositioning of the organisation for sales channels and scalable implementation of innovative client solutions.

An Investor Call is scheduled for Tuesday, 5 March 2019 at 10.00am (AEDT). Please see details at the end of the Announcement.

Financial Summary

- Full year Revenue of \$6.1m, up 70% year-on-year (yoy). Strong sales momentum developing from Direct and Distributor channels with weighted sales pipeline¹ of ~\$41m.
- Achieved Total Contract Value (TCV) of \$20m, up 73% from listing and 343% yoy.
- Annual Recurring Revenue (ARR) of \$4.3m up 115% yoy. Only minor churn related to Company's termination of contracts.
- Cash rate for operating expenses running about \$350k pm. Further margin improvement expected during the year from benefits of newer contracts and recent hirings to build platform.
- Accelerated growth strategy, with ~\$2.5m from listing proceeds used for PaaS² equipment capex to acquire \$12m of TCV with prestigious hospitals and clinics. These 5 and 7 year recurring revenue contracts will have a combined revenue of \$166k pm, and are now invoicing with strong counterparties.
- FYE Cash of \$2.4m and Trade & Other Receivables of \$3.9m. Intense focus on working capital management during project implementations and collections of trade receivables. Large receipt of ~\$750k from One-Off sales due March/April. The Company is confident that it has sufficient internal liquidity in place to support growth initiatives.
- The Company is in final due diligence with a Colombian bank for working capital and term debt facilities to refinance existing PaaS contracts and support PaaS growth objectives. Additional discussions taking place with a variety of financiers/funds about creating a debt financing structure or program suitable for addressing a substantial opportunity set of future PaaS contracts in LatAm.

Operational Highlights

- Steady roll-out of LatAm business development strategies with newer Distributors starting to build sales pipeline. Overall, 18 Distributors covering 11 countries now:
 - negotiations underway in Brazil, Argentine, Chile, Puerto Rico and Caribbean.
- Australian pilot moving to contract stage, business case being prepared for market entry strategy.
- Filed premarket FDA application as first milestone for US presence. On track for partnership to pilot and localise services mid-2019.
- Ongoing R&D and announced new AI applications and productivity tools add to functionality as demand for digital health services, packaged solutions and electronic medical records becoming important trends in markets. Pilots underway for Anatomic Pathology Laboratory Information Systems (APLIS) as next suite of adjacent services for our clients.

ImExHS Managing Director, Dr German Arango noted, “I am very pleased to announce our first full year unaudited results and to report that customer demand for our suite of imaging solutions, via our various sales models³, is increasing strongly and is well ahead of the expectations we had at listing. Additionally, our strategic opportunities are quickly developing as investors and the healthcare services markets become more aware of the Company’s value proposition and technical achievements.

With our proprietary Hiruko software, we are ideally placed to provide healthcare professionals with the market leading solution that combines a workflow management system with a patient data and image distribution system. Our solution allows specialists to capture, store, view, analyse and share relevant data and images.”

Recent Contracts Wins

Over the past 6 months the Company has successfully signed new contracts to provide client solutions and drive recurring revenue growth:

- In October we announced an ‘amend and extend’ of a PaaS contract with **Radiofam S.A.S.** to 2023 for its 6 sites. An additional TCV of \$460k was achieved (total of \$1.27m) with minimal capex.
- In October we announced an ‘amend and extend’ of a PaaS contract with **Clinica Palermo** to 2023, providing \$720k of TCV. Our solution will provide a more productive and efficient operating system supporting around 600 users. Capex of \$207k was required.
- In late October we announced a 5 year PaaS contract with **Colsubsidio** for 18 sites, which required \$850k of capex to unlock \$2.5m of TCV.
- In November we entered into a new PaaS contract with **AI-RAD S.A.S.** This 7 year agreement required \$915k of capex to add \$6.8m of TCV.
- In late January 2019, a 5 year, \$200k TCV SaaS contract was signed with **Los Valles Hospital** in Quito, Ecuador for two sites and a mobile imaging service.

Generally, these complete service contracts are for 5 or 7 years with monthly payment profiles, are priced to include appropriate returns on capital employed (target 20%) with 9-18 month payback periods, and are highly margin accretive from the SaaS component. The Company places the highest value on customer service and ongoing innovation, and our experience is that clients renew via ‘amend and extend’ contracts which usually require minimal capex and implementation.

We have started the new financial year well. We are continuing to make progress in executing our strategy to expand our distribution network throughout Latin America. Since listing we have signed new distribution agreements in Panama, Ecuador, Honduras and Nicaragua. The experience and expertise of our distribution partners, such as ATX, Mobitelemed and Rivas Opstaele endorses the quality of our offering and growth potential. We look forward to accelerating growth with them.

Working Capital: Cash, Trade Receivables & Debt Financing

We confidently expect strong ongoing growth, especially as our Direct Sales team and our Distributors gain momentum in their respective markets. However, over the past few months a priority of the Company has been to effectively implement the large PaaS contracts and manage the working capital implications.

Cash and Trade Receivables:

- Cash of \$2.4m fluctuates for working capital, One-Off Sales and capex associated with the large PaaS contracts – which will reach full invoicing profile by April with a run rate of ~\$166k pm.

- Current quarter will reflect transitional impact on Cash of final implementation of PaaS, with step change in recurring monthly revenue realised in April onwards.
- Trade and Other Receivables of \$3.8m includes ~\$700k of non-trade related. Included are ~\$750k of One-Off Sales which will be received in March/April. The thorough audit process conducted by BDO required an additional provision of \$81k for some longer outstanding receivables, other past dues under intense management.

Debt Financing:

Given the Company's growth trajectory and significant market opportunities, the Board is committed to ensuring the Company has sufficient financial resources to deliver on its potential. To exploit these opportunities, the executive team is in discussions seeking two sources of third-party debt financing:

- 1) To 'refinance' the ~\$2.5m of capex the Company has invested to secure several large PaaS contracts. An appropriate debt facility would provide a lower cost of capital, free up equity capital for other growth initiatives and working capital, and better tenor match these long-term contracts.
- 2) We are also exploring a range of long-term debt financing solutions and capital partnerships which can help reduce our cash requirements for future PaaS contracts while enhancing returns for shareholders. This could entail the financier providing a lease type facility directly to the Company's client, with our SaaS 'wrapped around' it to provide a packaged solution.

The Company will announce debt financing arrangements when finalised.

Working Capital with PaaS Contracts:

Our recently announced large PaaS contracts have an extended working capital cycle due to: 1) varying periods for solution implementation, and 2) varying periods for invoicing (contracts can vary from 30-90 days for payment depending upon the ultimate payer). The Company has project management and technical sales teams in place to work with clients to ensure timely delivery and full satisfaction. While these contracts usually provide for invoices to be issued on a monthly basis as services come on-line (example for multi-site clients); the stepping up of cash collections to reflect the full monthly contract values may take 3-6 months from contract signing.

Outlook

We enter FY19 with confidence and momentum. We expect strong ongoing growth in both existing and new markets for radiology, and further development of verticals in pathology and cardiology. We will continue to develop additional opportunities with our FDA application to sell in the US, and the commercialisation of our pilot program in Australia. Both are progressing to plan. Ongoing development and market acceptance of AI provides us with a whole new suite of applications and tools, enhancing our functionality and customer offering in the digital health markets.

The financial priorities are sales growth, efficient implementation of new contracts, receivables management, and partnering with alternative sources of debt financing for PaaS market opportunities.

2018 was a busy and productive year for the Company. It is encouraging to see that our long term growth strategies are beginning to deliver encouraging early returns. We look forward to making further progress this year.

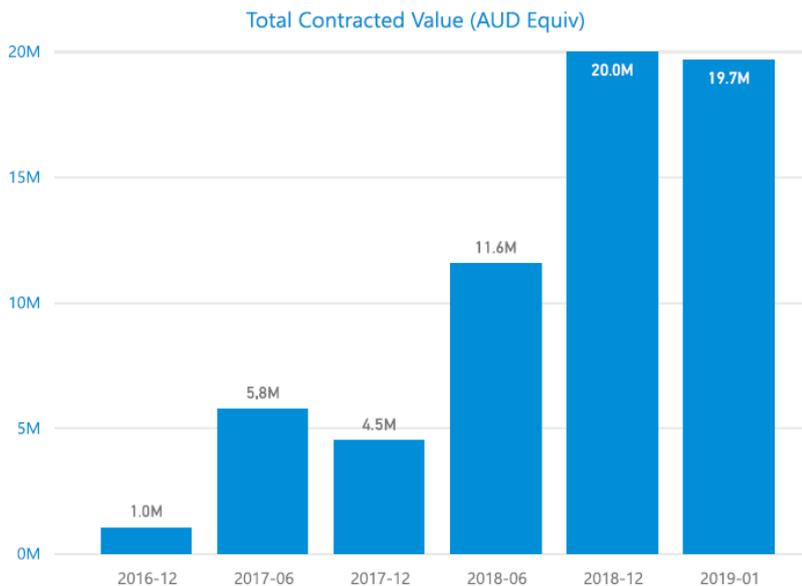
Notes:

- 1) Weighted sales pipeline includes all of IME’s geographic markets for SaaS and PaaS prospective contracts measured in TCV, with an additional discount factor applied by Management. Weightings are calibrated to 9 stages of client engagement in the sales process.
- 2) Platform as a Service (PaaS) is a client solution which combines modality hardware (x-rays, CT scans, MRI, associated computer equipment, etc) with operating software provided by the Company on a Software as a Service (SaaS) basis.
- 3) Software as a Service (SaaS), Platform as a Service (PaaS) and one-off sales.

Updated Charts as of 31 January 2019

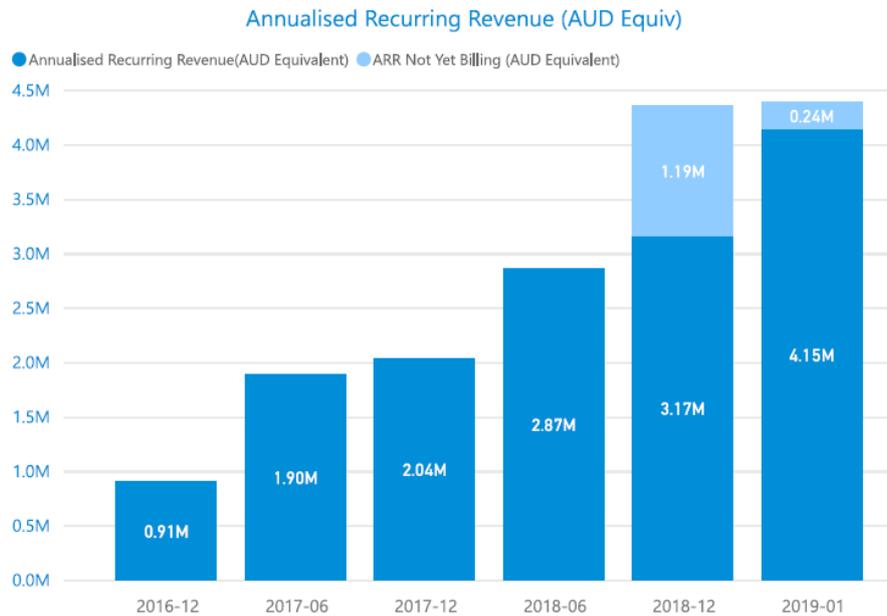
TOTAL CONTRACT VALUE – TCV:

During January, \$200k of new TCV was offset by \$300k in ‘amortisation’ (i.e. 1 month of billing completed across all contracts comprising TCV).



ANNUAL RECURRING REVENUE – ARR

The ARR chart below has been modified to reflect the impact of implementation periods prior to achievement of full invoicing for any PaaS contract. At the end of December, the various PaaS contracts required \$1.2m of pending work to be completed prior to invoicing. While at the end of January 2019, the work completed reduced this by about \$1m, with \$240k yet to invoice. The Company expects that large, multi-site PaaS contracts will require upwards of 6 months to complete equipment procurement, installation, systems integration, training/handover and achieve the full rate of monthly invoicing.



IMEXHS Investor Conference Call FYE 31 December 2018, Appendix 4E – Preliminary Final Report

ImExHS Limited (ASX: IME) will host a conference call on Tuesday, 5 March 2019 at 10.00am (AEDT) to present its FY18 Unaudited Full Year Results.

Dr German Arango (MD and CEO) and Tom Pascarella (Chairman), will host the call and will be joined by Tony Thomas (CFO) and Michael Brown (Investor Relations).

Conference Call details:

Conference ID: 1053718

Dial-in Details:

| | |
|-----------------|---------------------------------|
| Australia: | 1800 123 296 or +61 2 8038 5221 |
| Colombia: | 0180 0518 3540 |
| New Zealand: | 0800 452 782 |
| Hong Kong: | 800 908 865 |
| Singapore: | 800 616 2288 |
| United States: | 1855 293 1544 |
| United Kingdom: | 0808 234 0757 |

A recording of the call will be made available on the Company and OpenBriefing websites.

1 Company Details

Name of entity: ImExHS Limited

ABN: 60 096 687 839

Reporting period: For the year ended 31 December 2018

Previous period: For the year ended 31 December 2017

This preliminary report is based on accounts which are in the process of being audited.

2 Results for announcement to the market

| | | Year ended 31/12/18 | Year ended 31/12/17 | Change \$ | Change % |
|-----|---|------------------------|------------------------|--------------|-------------|
| 2.1 | Revenues from ordinary activities | 6,086,980 | 3,570,658 | 2,516,322 | 70 |
| 2.2 | Loss from ordinary activities after tax attributable to members | (4,887,165) | (899,508) | (3,987,659) | (443) |
| 2.3 | Net loss for the period attributable to members | (4,845,005) | (957,060) | (3,887,945) | (406) |
| 2.4 | <p>A brief explanation of the figures in 2.1 to 2.3</p> <p>During the year, the Company completed the acquisition of Imaging Experts and Healthcare Services Pty Ltd, an Australian based company. This company had, in turn, acquired Imaging Experts and Healthcare Services SAS, a Colombian based company earlier in 2018.</p> <p>Under Australian Accounting Standards, Imaging Experts and Healthcare Services S.A.S. was deemed to be the accounting acquirer in both transactions. The acquisitions have been accounted for as share based payments by which Imaging Experts and Healthcare Services S.A.S. acquired the net assets of those entities and the listing status of ImExHS Limited.</p> <p>Accordingly, the consolidated financial statements of ImExHS Limited have been prepared as a continuation of the business and operations of Imaging Experts and Healthcare Services S.A.S. As the deemed acquirer, Imaging Experts and Healthcare Services S.A.S. has accounted for the acquisition of Imaging Experts and Healthcare Services Pty Ltd from 20 April 2018 and has accounted for the acquisition of ImExHS Limited from 28 August 2018. The comparative information for the year ended 31 December 2017 is that of Imaging Experts and Healthcare Services S.A.S.</p> | | | | |

3 Statement of Comprehensive Income

Refer to attached preliminary report.

4 Statement of financial position

Refer to attached preliminary report.

5 Statement of cash flows

Refer to attached preliminary report.

6 Statement of changes in equity

Refer to attached preliminary report.

7 Dividend or distributions

There were no dividends paid, recommended or declared during the current financial period.

8 Details of any dividend or distribution reinvestment plans

Not applicable.

9 Net tangible assets per security

| Net Tangible Assets (NTA) per share | As at 31/12/2018 | As at 31/12/2017 |
|-------------------------------------|---------------------|---------------------|
| NTA backing per ordinary share | \$0.006 | \$0.002 |

The denominator for the net tangible assets calculation has been adjusted to reflect the reverse acquisition of Imaging Experts and Healthcare Services Pty Ltd.

10 Details of entities over which control has been gained or lost

Name of the entity: Imaging Experts and Healthcare Services Pty Ltd

Acquisition Date: 28 August 2018

On 28 August 2018, ImExHS Limited acquired 100% of the equity in Imaging Experts and Healthcare Services Pty Ltd

This company had also been acquired during the period by Imaging Experts and Healthcare Services SAS, a Colombian Company. These acquisitions have been accounted for as reverse takeovers under Australian Accounting Standards. As such, the historical financial information of the Company will be presented as that of the acquirer, Imaging Experts and Healthcare Services SAS.

11 Details of associates and joint venture entities

Not applicable.

12 Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

None.

13 **Foreign entities – details of which set of accounting standards is used in compiling the report**

Not applicable.

14 **A commentary on the results for the period**

Refer to attached preliminary report.

15 **A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed**

This preliminary report is based on accounts which are in the process of being audited.

16 **If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of the matter or other matter paragraph.**

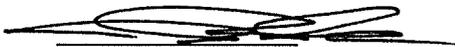
Not applicable. The audited accounts are not likely to contain a modified opinion.

17 **If the accounts have been audited and contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph**

This preliminary report is based on accounts which are in the process of being audited.

18 **Signed**

On behalf of the directors



Thomas Pascarella
Chairman
28 February 2019, Sydney

IMEXHS LIMITED

ABN 60 096 687 839

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

IMEXHS PRELIMINARY FINAL REPORT 2018

Review of operations

The loss of the Group for the year ended 31 December 2018 was \$4,887,165 (2017: loss of \$899,508), after providing for income tax.

The loss included costs associated with the acquisition of Imaging Experts and Healthcare Services Pty Ltd and the successful relisting of the Group on the ASX. The total of these costs, including share based payments, was \$3,929,770.

The Company had net assets of \$5,580,795 (2017: \$636,966) and Cash and cash equivalents of \$2,445,329 (2017: \$4,593).

Underlying EBITDA

During the year, ImExHS recorded a number of non-recurring items in relation to its reverse takeover listing process. In order to present an underlying EBITDA result, these items are identified below:

| | 2018 | 2017 |
|---|-------------|-----------|
| | \$ | \$ |
| Result before Tax | (4,795,347) | (821,997) |
| Adjust: | | |
| Net interest | 193,013 | 133,810 |
| Depreciation and Amortisation | 306,711 | 244,167 |
| | 499,724 | 377,977 |
| Reported EBITDA | (4,295,623) | (444,020) |
| Adjust: | | |
| Net exchange gains/losses | 225,379 | 19,414 |
| Listing and Share Based Payments Expenses | 3,979,770 | - |
| | 4,155,149 | 19,414 |
| Underlying EBITDA* | (140,474) | (424,606) |

* Underlying EBITDA excludes non-recurring transaction costs associated with the acquisition of Imaging Experts and Healthcare Services Pty Ltd and foreign exchange losses

After adjusting for the transaction costs, ImExHS has recorded an improvement in its Underlying EBITDA of \$284,132.

The result reflects the revenues being generated by its increasing portfolio of recurring revenue contracts over the year together with strong second-half one-off sales.

Highlights for the Financial Year

i) Acquisition of Imaging Experts and Healthcare Services Pty Ltd

On 28 August 2018, ImExHS Limited completed the acquisition of 100% of the issued capital of Imaging Experts and Healthcare Services Pty Ltd, an Australian registered company that had, in turn, on 20 April 2018 acquired Imaging Experts and Healthcare Services S.A.S. a Colombian registered company that has developed and owns the Hiruko software suite.

Following a review of opportunities in the market, the Company elected to pursue the acquisition of Imaging Experts and Healthcare Services Pty Ltd, a company that has an established customer base in Latin America and was seeking to expand its footprint in Latin America and elsewhere.

Imaging Experts and Healthcare Services Pty Ltd is the Australian parent entity of Imaging Experts and Healthcare Services S.A.S., which has developed and owns the Hiruko suite of products.

IMEXHS PRELIMINARY FINAL REPORT 2018

The Hiruko platform is a software suite that receives digital images and data from various Radiologic modalities (e.g. Computed Tomography (CT) scanners, Magnetic Resonance (MR) scanners, ultrasound systems (US), computed & direct radiographic (CR, DX) devices, secondary capture devices (SC), scanners (OT), imaging gateways, etc.). Images and data can be captured, stored, communicated, processed and displayed within the system and or across computer networks at distributed locations using an embedded web-based viewer with image manipulation tools and strong data encryption to ensure a secure data transfer.

This product is an implementation of a DICOM® archive and image manager packed with a web-based viewer including basic image manipulation tools where its components are closely integrated to provide an implementation of many IHE actors and Integration Profiles to take advantage of HL7®.

Hiruko uses indexed information from DICOM® headers for locating objects on the file system and it does not produce any original medical images and is designed to be deployed over conventional TCP/IP networking or cloud infrastructure utilizing commercially available computer hardware platforms and operating systems.

ImExHS has been also developing additional verticals like the APLIS (Anatomical Pathology and Laboratory Information System), which is already tested and installed in two reference costumers.

Not only has the technology been disruptive due to the HTML5 architecture, but also the ImExHS's business model is disruptive, where the Company has a first mover advantage in "as a service" proposals in the LATAM Region.

The terms of the transaction were as follows:

- The issue of 220 million ordinary shares at an issue price of \$0.025 each to raise \$5.5 million (before costs);
- The issue of 520 million ordinary shares, 50 million Class A Consideration Options, 50 million Class B Consideration Options and 50 million Class C Consideration Options to the vendors of Imaging Experts and Healthcare Services Pty Ltd;
- The issue of 25 million shares and 12.5 million new options upon conversion of the outstanding convertible loans of \$500,000 in Imaging Experts and Healthcare Services Pty Ltd;
- The issue of 30 million options to the lead manager; and
- The issue of 10 million shares to Directors in lieu of cash for work spent on the acquisition.

ii) **Board Appointments**

Following the company's acquisition of Imaging Experts and Healthcare Services Pty Ltd, the company sought to enhance the board through the appointment of new directors with skills aligned with those desired to ensure the success of the new acquisition.

Dr German Arango

Dr Arango was appointed the Chief Executive Officer.

Dr Arango is the CEO and founder of Imaging Experts and Healthcare Services S.A.S. and has over 14 years' experience as a practising radiologist in Colombia, with a degree in Diagnostic Neuroradiology from McGill University, Montreal, Canada. Dr Arango is currently the Chairman and Staff Neuroradiologist at Mederi-Hospital Universitario Mayor, Bogota Colombia and has practised as a Neuroradiologist in various hospitals and clinics in Colombia.

Dr Arango is the Associate Professor of Diagnostic Neuroradiology for the neurology and neurosurgery residency programmes for University El Rosario at Mederi – Hospital Universitario Mayor and has held various Associate Professor of Diagnostic Neuroradiology roles for Universidad Militar de Colombia, Fundacion Universitaria de Ciencias de la Salud, Universidad Nacional de Colombia and El Bosque University during the period from 2006 to 2012.

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Mr Carlos Palacio

Mr Palacio was appointed as a non-executive director.

Mr Palacio is an entrepreneur with over 27 years' experience in international IT, Telecommunications and strategic management. He is currently the CEO of CrossPoint Telecommunications, a Managed IT Service Provider, specialising on creating and managing cost-effective IT solutions for multinational organisations. CrossPoint currently provides services in 42 countries and employs 54 staff in Australia, Singapore and Philippines.

Mr Palacio had a long career with Nokia where he served in a number of roles including Regional Network Manager, Chief Specialist and Architect, Technology Advisor in Mergers and Acquisitions, Global Platforms Design and Planning and Global Program Manager. Mr Palacio worked for Nokia Networks Australia, Singapore and Finland at various stages of his Nokia career, but was largely based in Australia.

Mr Tom Pascarella

Mr Pascarella was appointed Chairman.

Mr Pascarella is a Partner with Allen Partners in Sydney, a boutique advisory firm which specialises in raising institutional capital for local and offshore fund managers, as well as providing Corporate Finance and M&A advisory services to SMEs, fund managers, start-ups and scale-ups.

The majority of Mr Pascarella's career has been in various relationship management, transaction origination and senior leadership roles in Corporate & Investment Banking; most recently as CEO and Managing Director of Bank of America N.A. Sydney Branch / Bank of America Merrill Lynch Australia. Prior to Bank of America, Tom was a Senior Banker in Media, Telecoms & Entertainment with Banque Paribas (Sydney and Singapore). Tom has qualifications from Princeton University and Oxford University, is a fellow of FinSIA, is a Certified Finance & Treasury Professional with the Finance & Treasury Association, and a Member of the Australian Institute of Company Directors.

Mr Pascarella has been the President of the American Chamber of Commerce in Australia, a Board Member and Chairman of the dual-Government entity the Australian-American Fulbright Commission and Chairman of the ASX listed Agricultural Land Trust during its successful restructuring from Elders Ltd.

Dr Doug Lingard

Dr Lingard was appointed as a non-executive director.

Dr Lingard is an experienced Radiologist and Nuclear Physician who has worked in various leadership roles in Auckland, Washington DC and Sydney. In Australia he was a co-founder of Pittwater Radiology Partners which after a series of mergers and acquisitions listed on the ASX in mid-2000 as Medical Imaging Australasia Ltd (MIA) and became the largest supplier of radiology services in Australia and a major supplier of diagnostic imaging to the NHS in the United Kingdom. In mid-2004, MIA was acquired by DCA Group Ltd for A\$700m to become one of the world's largest radiology businesses, and the leading practice in Australia known as I-Med.

Dr Lingard has a medical degree MB.ChB from Otago University, NZ, and was a National Institutes of Health Fellow in Washington DC. He is presently a Fellow of the Royal Australia & NZ College of Radiologists, a Senior Associate of FinSIA and a member of the Australian Institute of Company Directors. He is the founder and present Chairman of the Mito Foundation, the peak charity in Australia for people with mitochondrial disease.

iii) US Food and Drug Administration Premarket Submission Started

ImExHS commenced its submission to the US Food and Drug Administration (FDA) for the company's Hiruko product to be demonstrated to be safe and effective.

This is required when introducing a product into commercial distribution in the United States for the first time and represents an important hurdle, allowing ImExHS to meet the projected milestone of a soft launch in the US market.

iv) Commercialisation of the Anatomical Pathology and Laboratory Information System

The company is committed to widening the scope of the services in their portfolio. During the year the company successfully completed its trial of the APLIS and moved into a limited commercial implementation at its client, Clinica Las Americas.

This represents an important expansion in the capabilities of the product and strengthens the product's offering.

v) Continued piloting of new developments

ImExHS continues to develop its Cardiology Information System (CIS) module for Hiruko. It has continued with its initial pilot at Clinica Las Americas.

vi) Release of new tools for Hiruko

ImExHS continues to develop its Hiruko Product Suite with the addition of new tools. These web-based tools include a Triangulation Tool, a Multiplanar Reconstruction Tool and a 3D Maximum Intensity Projection Tool. These tools are unique in the market in providing this functionality over the web and provide great improvements in productivity for our users without a large technological overhead.

vii) Expansion into new Markets

The company continued its expansion across Latin America, with the completion of new distribution agreements in El Salvador, Panama, Honduras and Nicaragua.

The company now has distribution agreements in 11 countries and as a result is well-placed to continue its growth in these territories.

viii) Financial Position

The Company's financial year end position was substantially strengthened during the year, following the successful capital raise that brought in \$5,500,000 during the year.

IMEXHS PRELIMINARY FINAL REPORT 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 \$ | 2017 \$ |
|---|-------------|-------------|
| Sales Revenue | 5,779,851 | 3,545,849 |
| Cost of Sales | (3,401,426) | (2,652,880) |
| Gross Profit | 2,378,425 | 892,969 |
| Administration and Distribution Expenses | (3,023,002) | (1,555,647) |
| Interest and other revenue | 307,129 | 24,809 |
| Interest, foreign exchange and other expenses | (528,129) | (184,128) |
| Listing and Share Based Payment Expenses | (3,929,770) | - |
| Profit / (Loss) from ordinary activities before income tax | (4,795,347) | (821,997) |
| Income tax benefit / (expense) | (91,818) | (77,511) |
| Profit/(Loss) from ordinary activities after income tax | (4,887,165) | (899,508) |
| Other comprehensive income | | |
| Items that may be reclassified to profit and loss | | |
| Foreign currency translation of international subsidiaries | 42,160 | (57,552) |
| Total items that may be reclassified to profit and loss | 42,160 | (57,552) |
| Other Comprehensive Profit / (Loss) for the year | 42,160 | (57,552) |
| Total comprehensive profit/(loss) for the period attributable to the members of ImExHS Limited | (4,845,005) | (957,060) |

IMEXHS PRELIMINARY FINAL REPORT 2018

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 \$ | 2017 \$ |
|---|------------------|------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 2,445,329 | 4,593 |
| Trade and other receivables | 3,880,759 | 2,598,144 |
| Inventories | 811,310 | 297,174 |
| Other | | |
| Total Current Assets | 7,137,398 | 2,899,911 |
| Non-Current Assets | | |
| Property, plant and equipment | 1,591,111 | 446,491 |
| Intangibles | 527,368 | 302,729 |
| Total Non-Current Assets | 2,118,479 | 749,220 |
| TOTAL ASSETS | 9,255,877 | 3,649,131 |
| LIABILITIES | | |
| Current Liabilities | | |
| Financial Liabilities | 154,631 | 457,387 |
| Trade and other payables | 1,897,472 | 594,416 |
| Provisions | 419,152 | 220,152 |
| Other | 851,604 | 1,727,868 |
| Total Current Liabilities | 3,322,859 | 2,999,823 |
| Non-Current Liabilities | | |
| Deferred Tax Liabilities | 82,223 | 12,342 |
| Total Non-Current Liabilities | 82,223 | 12,342 |
| TOTAL LIABILITIES | 3,405,082 | 3,012,165 |
| NET ASSETS | 5,850,795 | 636,966 |
| EQUITY | | |
| Issued capital | 10,553,259 | 1,559,756 |
| Share-based payments reserve | 1,208,718 | - |
| Foreign Currency Translation Reserve | (15,392) | (57,552) |
| Retained profits / (accumulated losses) | (5,895,790) | (865,238) |
| TOTAL EQUITY | 5,850,795 | 636,966 |

IMEXHS PRELIMINARY FINAL REPORT 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Issued Capital | Share Based Payments Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
|---|-------------------|---------------------------------------|---|-----------------------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 January 2017 | 963,651 | - | - | 328,026 | 1,291,677 |
| Change in accounting policy – AASB 15 | - | - | - | (293,756) | (293,756) |
| Restated total equity at the beginning of the financial year | 963,651 | - | - | 34,270 | 997,921 |
| Result for the year (restated) | - | - | - | (899,508) | (899,508) |
| Other comprehensive income for the year | - | - | (57,552) | - | (57,552) |
| Total comprehensive loss for the year | - | - | (57,552) | (899,508) | (957,060) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of Ordinary Shares, net of transaction costs | 596,105 | - | - | - | 596,105 |
| Balance as 31 December 2017 (restated) | 1,559,756 | - | (57,552) | (865,238) | 636,966 |

| | Issued Capital | Share Based Payments Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
|---|-------------------|---------------------------------------|---|-----------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 January 2018 (restated) | 1,559,756 | - | (57,552) | (865,238) | 636,966 |
| Change in accounting policy – AASB 9 | - | - | - | (143,385) | (143,385) |
| Restated total equity at the beginning of the financial year | 1,559,756 | - | (57,552) | (1,008,623) | 493,581 |
| Result for the year | - | - | - | (4,887,165) | (4,887,165) |
| Other comprehensive income for the year | - | - | 42,160 | - | 42,160 |
| Total comprehensive loss for the year | - | - | 42,160 | (4,887,165) | (4,845,005) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of Ordinary Shares, net of transaction costs | 8,993,503 | - | - | - | 8,993,503 |
| Shares & Options issued | - | 1,208,718 | - | - | 1,208,718 |
| Balance as 31 December 2018 | 10,553,259 | 1,208,718 | (15,392) | (5,895,790) | 5,850,795 |

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 \$ | 2017 \$ |
|---|--------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(Loss) for the year | (4,887,166) | (899,508) |
| Adjustments for: | | |
| Depreciation and Amortisation | 306,711 | 244,166 |
| Impairment in receivables | 81,340 | 17,274 |
| Impairment in inventories | 38,077 | 37,352 |
| Net (gain)/loss on sale of non-current assets | - | 29,274 |
| Equity settled transactions | 3,929,770 | - |
| Movement in trade and other receivables | (1,142,569) | (854,031) |
| Movement in inventories | (552,213) | 181,770 |
| Movement in trade and other payables | 924,800 | 82,630 |
| Movement in other provisions | 199,001 | 104,405 |
| Movement in other liabilities | (936,998) | 961,869 |
| Movement in deferred tax liabilities | 69,881 | (15,063) |
| Net cash flow from operating activities | (1,969,366) | (109,862) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash acquired from acquisitions | 347,484 | - |
| Purchase of property, plant & equipment | (1,318,182) | (53,287) |
| Movement in intangible assets | (352,299) | (317,200) |
| Net cash outflows from investing activities | (1,322,997) | (370,487) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 5,500,000 | 601,236 |
| Proceeds from issue of options | 925 | - |
| Equity Settled convertible notes | 500,000 | - |
| Movement in financial liabilities | (310,662) | (77,441) |
| Net cash inflows from financing activities | 5,690,263 | 523,795 |
| Net increase/(decrease) in cash and cash equivalents | 2,397,900 | 43,446 |
| Cash and cash equivalents at beginning of year | 4,593 | 18,700 |
| Foreign exchange differences | 42,836 | (57,553) |
| NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 2,445,329 | 4,593 |

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1 REPORTING ENTITY

ImExHS Limited (“Company”) is a listed public company incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the “consolidated entity” or “Group”).

2 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').

ImExHS Limited is a company limited by shares. The financial report is presented in Australian currency. ImExHS Limited is a for-profit entity.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

Significant Judgements and Key Assumptions

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Issued Capital

No value has been allocated to the Class A Performance Shares due to the uncertainty of meeting the performance milestone.

Issued Options

No value has been allocated to the Class B or Class C options due to the uncertainty of meeting the performance milestone.

Reverse Acquisition

The value of the share based payment in the reverse acquisition is based on the notional amount of shares that ImExHS Limited would need to issue to acquire the majority interest of ImExHS Limited's shares that the shareholders did not own after the acquisition, multiplied by the fair value of the ImExHS Limited shares. The deemed fair value of ImExHS Limited shares is the exchange ratio applied to the share price of the listed entity (ImExHS Limited) at acquisition date.

Share Based Payments

Share based payments are measured at the fair value of goods or services received or the fair value of the equity instrument issued (if the fair value of goods or services cannot be reliably determined) and are recorded at the date

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the goods or services are received. The fair value of options is determined using the Black-Scholes option pricing model. The number of share and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when performance obligations are met. Where there is a warranty provided with contracts that, that warranty obligation is recognised as a provision with the amount recognised as a straight-line over the time that the warranty has been provided. This is generally 12 months. The amount of the warranty has been estimated by the Group as comprising 10-12% of the associated contract revenue.

The Group has determined that no significant financing component exists in respect of its business due to there being no significant time delay between the performance obligation being discharged and the receipt of payment.

Going Concern

For the year ended 31 December 2018, the Group generated a consolidated loss of \$4,887,165 (2017: loss of \$899,508) and incurred operating cash outflows of \$1,969,366 (2017: outflows of \$109,862). As at 31 December 2018, the Group had cash and cash equivalents of \$2,445,329 (2017: \$4,593), a surplus of net current assets of \$3,814,539 (2017: deficit \$99,912) and surplus of net assets of \$5,850,795 (2017: \$636,966).

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

Reverse Acquisitions

On 28 August 2018, ImExHS Limited (formerly Omni Market Tide Ltd) completed the acquisition of Imaging Experts and Healthcare Services Pty Ltd, an Australian-based company. This company, in turn, had previously acquired Imaging Experts and Healthcare Services S.A.S., a Colombian-based company, on 20 April 2018. Under Australian Accounting Standards, Imaging Experts and Healthcare Services S.A.S. was deemed to be the accounting acquirer in both transactions. The acquisitions have been accounted for as share based payments by which Imaging Experts and Healthcare Services S.A.S. acquired the net assets of those entities and the listing status of ImExHS Limited.

Accordingly, the consolidated financial statements of ImExHS Limited have been prepared as a continuation of the business and operations of Imaging Experts and Healthcare Services S.A.S. As the deemed acquirer, Imaging Experts and Healthcare Services S.A.S. has accounted for the acquisition of Imaging Experts and Healthcare Services Pty Ltd from 20 April 2018 and has accounted for the acquisition of ImExHS Limited from 28 August 2018. The comparative information for the year ended 31 December 2017 is that of Imaging Experts and Healthcare Services S.A.S.

The implications of the acquisition by Imaging Experts and Healthcare Services S.A.S. on the financial statements are as follows:

- (i) *Statement of Profit or Loss and Other Comprehensive Income*
- The statement of profit or loss and other comprehensive income comprises the total comprehensive income for the 12 months ended 31 December 2018 for Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries; the for period 20 April 2018 to 31 December 2018 for

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Imaging Experts and Healthcare Services Pty Ltd; and for the period 28 August 2018 to 31 December 2018 for ImExHS Limited and its wholly owned subsidiary OMT Operations (AU) Pty Ltd.

- The statement of profit or loss and other comprehensive income for the year ended 31 December 2017 comprises the results of Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries only.

(ii) *Statement of Financial Position*

- The statement of financial position as at 31 December 2018 represents the combination of Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries with Imaging Experts and Healthcare Services Pty Ltd and with ImExHS Limited.
- The statement of financial position comparative only represents Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries as at 31 December 2017.

(iii) *Statement of Changes in Equity*

- The Statement of Changes in Equity comprises:
 - i. The equity balance of Imaging Experts and Healthcare Services S.A.S. at the beginning of the financial year (1 January 2018).
 - ii. The total comprehensive income for the financial year and transactions with equity holders, being 12 months for Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries for the year ended 31 December 2018; for the period 20 April 2018 to 31 December 2018 for Imaging Experts and Healthcare Services Pty Ltd; and for the period 28 August 2018 to 31 December 2018 for ImExHS Limited.
 - iii. The equity balance of the combined Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries, Imaging Experts and Healthcare Services Pty Ltd and ImExHS Limited.
- The Statement of Changes in Equity comparatives comprise the fully financial year for Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries for the 12 months ended 31 December 2017.

(iv) *Statement of Cash Flows*

- The Statement of Cash Flows comprises:
 - i. The cash balance of Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries at the beginning of the financial year (1 January 2018).
 - ii. The transactions for the financial year for Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries for the 12 months ended 31 December 2018; for Imaging Experts and Healthcare Services Pty Ltd from 20 April 2018 to 31 December 2018; and for ImExHS Limited from 28 August 2018 to 31 December 2018.
- The Statement of Cash Flows comparative comprises the fully financial year of Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries for the year ended 31 December 2017.

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(v) *Equity Structure*

- The equity structure (the number and type of equity instruments issued) in the financial statements reflects the consolidated equity structure of Imaging Experts and Healthcare Services S.A.S. and its wholly owned subsidiaries; for Imaging Experts and Healthcare Services Pty Ltd; and for ImExHS Limited and its wholly owned subsidiary.
- The comparative reflects the equity structure of Imaging Experts and Healthcare Services S.A.S.

(vi) *Earnings Per Share*

- The weighted average number of shares outstanding for the year ended 31 December 2018 is based on the weighted average number of shares in ImExHS Limited outstanding in the period following the acquisition.
- The comparative weighted average number of shares is based on the legal subsidiary's (Imaging Experts and Healthcare Services S.A.S.) weighted average shares multiplied by the exchange ratio.

(vii) *Deemed Consideration and Listing Expense*

- The purchase consideration was the issue of shares and options in ImExHS Limited (legal parent) was deemed to be \$3,766,429 based on the following:

| | |
|--------------------------------------|--------------------|
| Ordinary Shares | 150,657,180 |
| Share price based on capital raising | \$0.025 |
| Deemed consideration | <u>\$3,766,429</u> |

- The purchase consideration was settled via shares and options as follows:

| Instrument | Number | Value \$ |
|-----------------|-------------|--------------------|
| Ordinary Shares | 520,000,000 | 3,316,429 |
| Class A Options | 50,000,000 | 450,000 |
| Class B Options | 50,000,000 | - |
| Class C Options | 50,000,000 | - |
| | | <u>\$3,766,429</u> |

- The transaction created a one-off non-cash expense arising from the treatment of the acquisition of ImExHS Limited in accordance with Australian Accounting Standards:

| | |
|---|--------------------|
| Deemed consideration | \$3,766,429 |
| Less: net assets of ImExHS Limited at time of acquisition | <u>(\$699,239)</u> |
| Listing Expense | <u>\$3,067,190</u> |

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) *Basis of Consolidation*

The consolidated financial statements comprise the financial statements of ImExHS Limited and its subsidiaries (the Group) as at 31 December 2018 or for any time during the year.

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The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Subsidiaries are all entities (including structured 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 deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

(b) Revenue Recognition

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the sale of goods or provision of services to entities outside the Group. The Group recognises revenue from contracts with customers in accordance with the recognition of the completion of performance obligations under the contract. Where a contract includes an element of a warranty obligation, the revenue attributable to this warranty obligation is recognised evenly over the period for which the obligation exists.

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium. The revenue is recognised over the time the interest is earned.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(d) Impairment of Assets

At each reporting date, the Group determines whether there is any indication that assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original amount. A reversal of an impairment loss is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

(e) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither account nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

ImExHS Limited and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under the tax consolidation regime.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

(g) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Any impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(h) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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(i) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(j) Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group financial instruments are interest rate risk and foreign currency risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit, Compliance and Risk Management Committee under authority of the Board. The Board reviews and agrees policies for managing each of the risks identified, including the setting of limits for credit allowances and future cash flow forecast projections.

(k) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the Group as the Managing Director and other members of the Board of directors.

(l) Employee Entitlements

The Group's liability for employee entitlements arising from services rendered by employees to reporting date is recognised in provisions. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount and include related on-costs.

(m) Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing the net loss attributable to the equity holder of the Group after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the year.

(n) Trade and Other Receivables

Receivables are initially recognised at the amount of consideration due from customers that is unconditional and subsequently measured at amortised cost. The Group will apply the simplified impairment methodology provided by AASB 9.

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Current receivables are generally due for settlement within 30-90 days. Cash on deposit is not due for settlement until rights of tenure are forfeited or performance obligations are met.

(o) Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30-90 days of recognition.

(p) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

(r) Issued Capital

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

(s) Research and Development

The Group expenses all research costs as incurred. The amounts incurred in respect of development costs are only recognised as a development asset when there is a high probability that the Group will have the ability to generate sales with respect to that asset.

Following initial recognition of development expenditure as a development asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Consideration of amortisation of the asset begins when development is complete and the asset is available for use. Currently development has not yet been finalised. Amortisation is recorded in other expenses. During the period of development, the asset is tested for impairment annually.

(t) Share-Based Payment Arrangements

Goods or services received or acquired in share-based payment transactions are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a 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.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

(u) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

The depreciable amount of all fixed assets is depreciated on a straight-line basis or diminishing value (whichever is more appropriate) over their useful lives to the entity commencing from the time the asset is held ready for use.

The effective lives used for each class of depreciable assets are:

| <u>Class of Fixed Asset</u> | <u>Effective Life</u> |
|-----------------------------|-----------------------|
| Furniture and Fittings | 5-10 years |
| Computer Equipment | 3-5 years |
| Medical Equipment | 5-10 years |

(v) Inventories

Inventories are assets held for sale in the normal course of operations. The inventories of the Group related to goods not manufactured by the Group, and are measured at the lower of cost and net realisable value, with the majority being valued on a weighted average basis.

(w) Intangible Assets

The intangible assets of related to licensing of software and copyright, which are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets are generally amortized on a straight line over the estimated life of 5 -10 years.

(x) Leases

Leases are classified as financial when the lease terms substantially transfer to tenants all the risks and rewards inherent in ownership of the property. All other leases are classified as operating.

As lessor

The rental income under operating leases is recognized using the straight-line method over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the asset leased and recognized on a straight-line basis over the term of the lease.

As lessee

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of the minimum lease payments. Finance leased assets are amortised on a diminishing value basis over the estimated useful life of the assets.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest rate is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

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Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

(y) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised in other comprehensive income to the extent that the underlying gain or loss is recognised as other comprehensive income; otherwise the exchange difference is recognised in profit or loss.