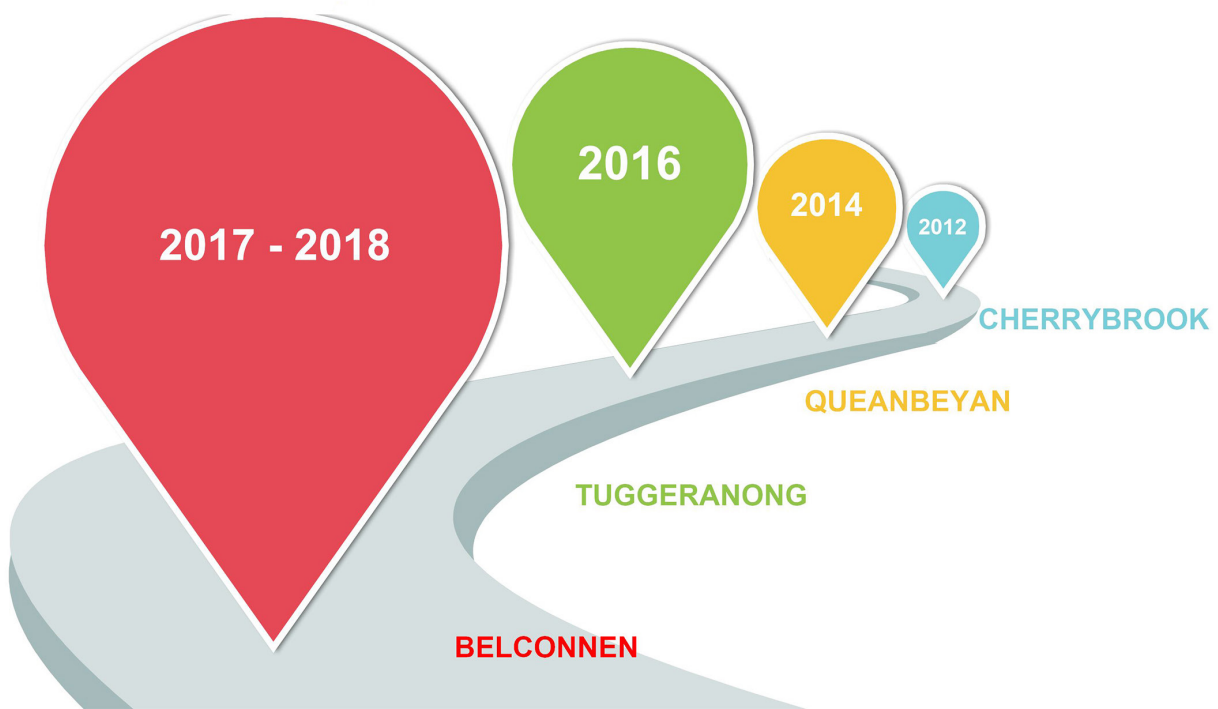




Trans-Ax Health Care
Empowering Doctors[®]

Annual Report

FY 2017



"This was a year of significant growth and progress throughout the company"

Trans-Ax Health Care

www.transaxhealthcare.com.au

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Introduction

OUR PASSION:

To build an extraordinary company for doctors and communities in Australia

Trans-Ax Health Care was created to achieve a **long-term goal** by 2026: to become one of the major players in the health care industry in Australia.

The target was set to build **30+ Medical Centres** with **300+ Doctors**, offering **multi-disciplinary services Australia-wide**.

In the medium-term, the company is aiming to achieve publicly **listed status by 2021**, based on an **EBITDA of \$ 5M**.

The short-term objective is to devise a unique and scalable business model to pave the way for significant future growth.

OUR NICHE:

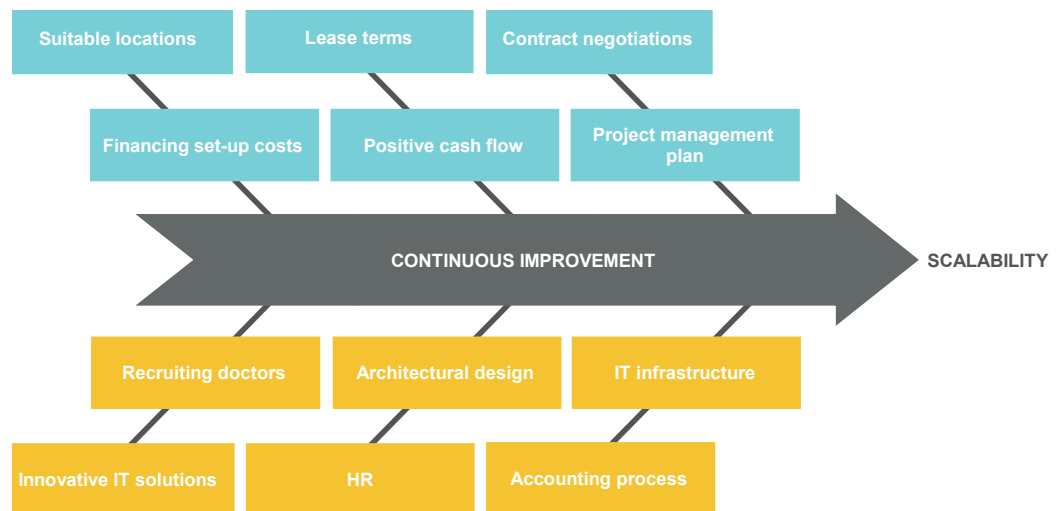
To provide convenient and affordable healthcare

Building 3 successful medical centres since 2012 was part of developing several important ideas and elements of the business model focusing on following areas:

- Researching suitable locations
- Setting unique lease terms
- Finding supporting data for contract negotiations
- Financing set-up costs efficiently
- Managing positive cash flow from the start
- Developing the project management plan
- Setting our way of recruiting doctors
- Perfecting functional and efficient architectural design
- Creating remotely maintainable IT infrastructure
- Developing innovative IT solutions
- Outsourcing HR
- Taxation aspects of doctors' contracts
- Rigorous streamlining of the accounting process
- Developing an efficient accountability chart

Evolution of the Business Model

We have a growth mindset and intellectually challenge ourselves on how to continuously improve our services, products and our people



The business model has been and will always be a process of continuous development involving every aspect of the company's operation.

An increasing number of players on the market recognise the opportunity of setting up and/or acquiring GP medical centres. For us to achieve our goals we have to focus on differentiating ourselves from the rest.

During the year we completed a major research project of possible locations for new medical centres Australia wide, resulting in a list of about 20 possible targets. In the following months we will explore new opportunities in Queensland.

Our Core Values

1 - HELP DOCTORS ABOVE ALL ELSE

We empower our doctors to provide outstanding care for our communities

2 - EMPATHY

We have a passion for care and nurture and treat others in a way we wish to be treated ourselves

3 - CONSTANT QUEST FOR IMPROVEMENT

We have a growth mindset and intellectually challenge ourselves on how to continuously improve our services, products and our people

4 - ENCOURAGE TEAMWORK

A free spirited approach to create a workplace where everyone is open and honest and are passionate to help our team be the best we can be

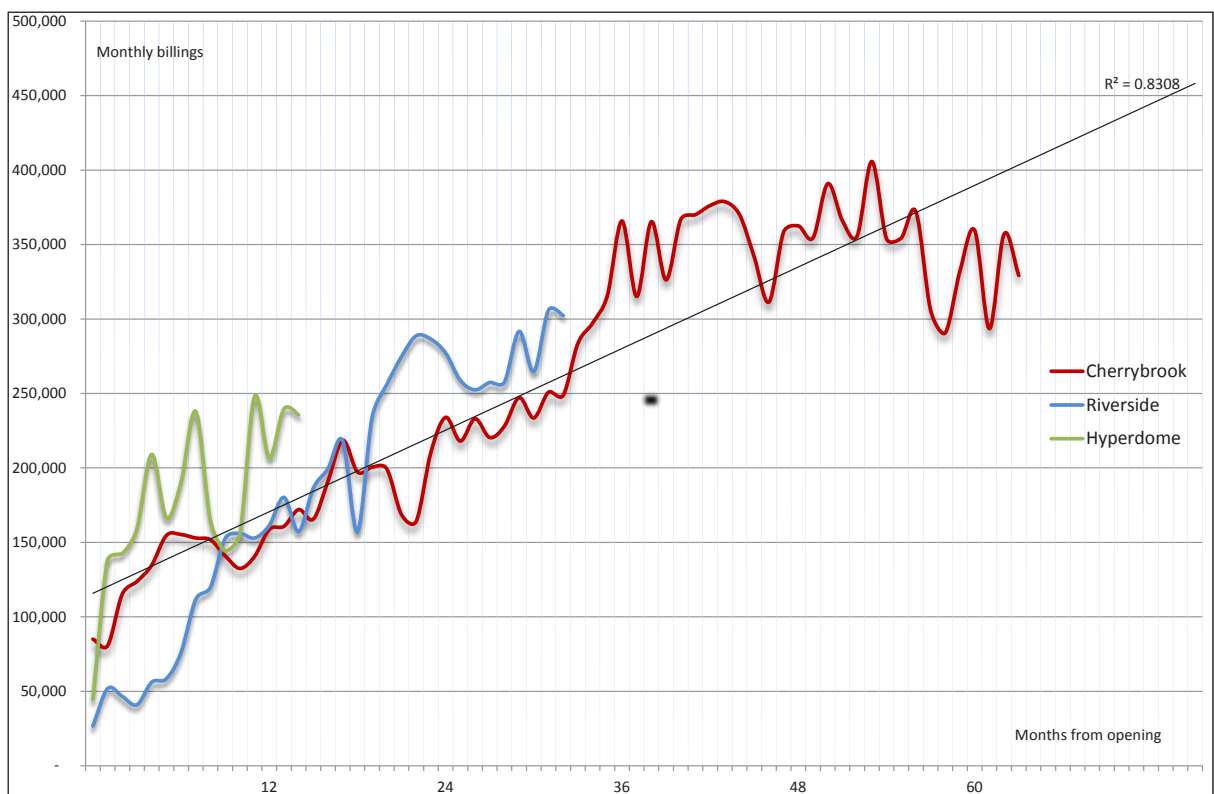
SWOT Analysis

S	BUSINESS MODEL: Well-developed structure SYSTEMS: Business wide systematic approach TECHNOLOGY: Innovative use of technology	STRENGTHS
W	PREMISES: Risk exposure due to rented premises BILLING STRUCTURE: Bulk billing model unattractive to some doctors LOCATION: Limited availability of suitable locations for future expansion	WEAKNESSES
O	GP RECRUITMENT: In house recruitment creating additional value ACQUISITION: Suitable acquisitions to help achieve public listing earlier LOCATION: Group approach of shopping centre operators to map future expansion	OPPORTUNITIES
T	COMPANY STRUCTURE: Inherent risk exposure REGULATORY ENVIRONMENT: Changing government policies may require change of business model	THREATS

To Our Stakeholders

When I look back to the year past, I can proudly say that this was a year of significant growth and progress throughout the company. True to our Core Values, we achieved growth and tangible improvements in every facet of our business.

This growth was underpinned by strong financial performance.



Financial Highlights

The first time the company's revenue exceeded **\$ 10,000,000** in this Financial Year.

The financials show an **EBITDA over \$ 1,500,000.**

The revenue base consists of

Doctors' billings
Government incentives (PIP, PNIP, SIP) and
Rents received (from Pathology)

Next year's revenue outlook 2017 - 2018
(based on existing medical centres only)

Billings are set to rise, as 4 new full time doctors' services will be added to Riverside and Hyperdome
As billings rise, the amount of government incentives will rise as well

Budget forecast for next year:

- 15% increase in Revenue
- 25% increase in EBITDA

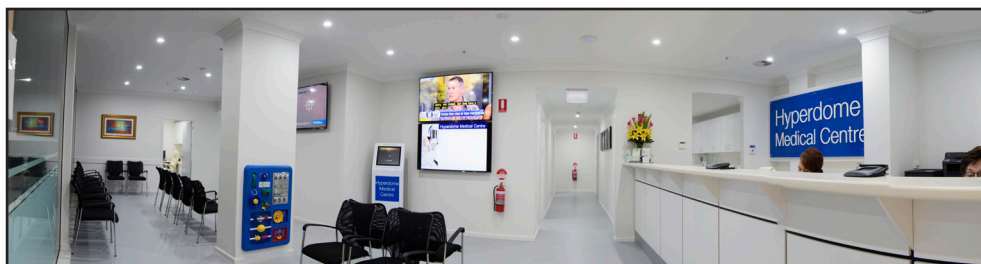
Trans-Ax Health Care
ABN:13 601 435 796

Income Statement for the year ended 30 June 2017

Revenue	11,099,850
Income from Medical Services	3,389,899
Government Incentives	507,321
Rents Received	400,790
	<hr/>
Gross Income	4,298,010
Employment Costs	1,200,104
Rents	440,944
Contracted doctor	354,124
Medical Supplies	125,452
Advertising	120,771
General expenses	77,630
IT	72,739
Consultants fees	72,521
Accountancy	60,124
Travel expenses	48,838
Telephone	41,860
Cleaning and Laundry	38,073
Stationery and Office Supplies	30,994
Staff Training	26,498
Insurances	24,332
Legal Fees	15,855
Electricity	11,828
Repairs and Maintenance	9,569
Postage	8,046
Bank Charges	7,224
	<hr/>
Total Operating Expenses	2,787,526
EBITDA	1,510,484

Strategic Highlights

HYPERDOME MEDICAL CENTRE



After the successful opening in April 2016, the centre experienced a strong uptake, manifesting in over 1,000 new patients a month. In comparison at Cherrybrook and Riverside this figure was about 700.

This strong performance justified and made the building of the 2nd phase of the centre necessary in October - November 2016. The project added a further 3 doctors' rooms to the existing 4.

The number of doctors working in the centre fluctuated over the year. This fluctuating pattern was also recognizable in the financial performance of the centre.

Already at the beginning of 2017 the centre has seen days of 200 - 225 consultations and 5 - 6 doctors fully booked. A number of these doctors were locums. We started the Financial Year with 3 full time doctors. One of them left and 2 new full-time doctors joined during the year. Currently 4 full time and 1 part time doctors are working in the centre. Several new doctors are also in the pipeline with the view of joining us in the coming months. We can safely forecast that by December 2017 we will have all 7 doctors' rooms running closer to capacity.

In the next few years Hyperdome has the potential to considerably outperform our other existing medical centres.

The centre was awarded accredited status by AGPAL in 2017.

Congratulations to our capable Practice Manager, Larissa and her team.

RIVERSIDE MEDICAL CENTRE



The centre opened in 2014. Based on a principal agreement with the neighbouring pharmacy, it has been designed with future extensions in mind. However, after the pharmacy changed hands last year, the new owner made the extension into the pharmacy's premises more difficult.

Anchored by motivated doctors, Riverside has been performing very strongly since 2015. The prospect of further growth was only limited by the available space for more doctors' rooms. Following the model pioneered in Cherrybrook, we relocated the Lavery Pathology room to external premises, within the shopping centre. This project was completed in March 2017, effectively adding an additional doctor's room to the medical centre, on favorable negotiated financial terms.

We started the Financial Year with 3 full time and 1 part time doctors. The part time doctor left and 2 new full-time doctors joined during the year. Currently 5 full time doctors work in the centre.

One of the doctors, who joined in December 2016 is a non-VR International Medical Graduate, working in supervised practice with limited registration. This is the first time we have implemented this option as an experiment and it proved to be very successful.

The centre has still a long way to go to achieve its full potential; There is still the possibility of negotiating further extension into the premises of the pharmacy.

Retaining the services of more after-hours doctors could also further lift the centre's performance significantly.

I have to mention Pauline, our Practice Manager's remarkable contribution to make Riverside an outstanding success.

CHERRYBROOK MEDICAL CENTRE



The first 5 year lease in Cherrybrook expired in January 2017. Due to the planned re-development of the shopping centre, the landlord (Mirvac) was only willing to renew the lease up until 30 June 2018.

After difficult negotiations we secured a short-term lease (Jan 2017 - Jun 2018) with a significant discount and a long-term lease (Jul 2018 - Jun 2028) on highly favorable terms, but subject to council approval (of the shopping centre's re-development plan).

As part of the re-development, the long-term lease is based on completely newly built, large premises on the rooftop of the shopping centre. The lease terms and the location would pave the way of developing our new multidisciplinary medical centre concept, with in-house Radiology, Dentist, Specialists Centre, Botox Clinic and Cosmetic Medicine in addition to the "traditional GP services".

Exciting? Yes! But....

Mirvac still hasn't received council approval for the re-development. The delay will have an unpredictable effect on our long-term plans in Cherrybrook.

In early 2016 Cherrybrook Medical Centre achieved its maturity. Since then the 6 doctors' rooms have been running at nearly full capacity. The financial performance of the centre has reached its plateau and growth is unlikely to continue, unless we can move to larger premises.

During the past year 1 full time doctor left, 1 full time and 1 part time doctors joined and another after hours doctor is set to join within a month, currently waiting for paperwork.

In September 2016 Jeevan, our new Practice Manager joined us in Cherrybrook. Jeevan has already proved to be a worthy member of our management team.



We empower our doctors to provide outstanding care for our communities

 **Trans-Ax Health Care**
Empowering Doctors®

The graphic features a blue diagonal shape on the left containing the text. To the right, there is a stack of colorful 3D cubes in various colors (red, blue, green, yellow, purple, orange) arranged in a stepped pattern. A single cyan cube is positioned to the right of the main stack.

Operating Highlights

BUSINESS DEVELOPMENT

The company implemented the EOS business management system in 2016.

October 2016 marked the first Practice Managers Meeting in the Sydney Hilton Hotel, where a wide range of important issues, including our Core Values, the Accountability Chart and the company's business plans were discussed in detail.

The one-on-one weekly Skype L10 meeting pulse with individual Practice Managers and the Recruitment Manager followed the Sydney meeting.

MARKETING

The new Trans-Ax Health Care website was also one of this year's major accomplishments. The medical centres' individual sites were designed for patients in mind, whilst the Trans-Ax Health Care website is meant to be a marketing tool for doctors recruitment.

An essential part of the website is a series of corporate videos, that we shot and edited at the end of 2016. The videos will be used as an effective recruitment tool, as well as a resource for future investors.

The Earning Potential Calculator implemented on the website is an industry first and is also a powerful tool in our recruitment process.

HR

In November 2016, we contracted Employsure, outsourcing the company's HR process and significantly reducing the company's HR related risk exposure.

In order to ensure full compliance every staff member signed a new employment contract along with a newly formulated Employee Handbook, Position Description and Confidentiality Agreement.

2016 also saw the company-wide introduction of Tanda, a highly efficient payroll system.

Following legal advice we are currently developing a new contract for doctors to minimise the risk of adverse tax implications.

ACCOUNTING

Our IT team is currently working on a very exciting and innovative approach to processing doctors' payments. This project has already made the process significantly faster and more accurate and still has a long way to go. Once completed, the program will make those payments processing time of a matter of minutes rather than hours, even when we'll have hundreds of doctors on board. It will also increase the transparency of the payment system.

We recently started to implement Dataline services in our accounts payable process. The service promises automated and integrated data entry to our accounting program, MYOB. It also offers indexed and searchable archive database functionality of all suppliers' invoices. We hope, that this process will make auditing our accounts simple, hence it will save money in the long run.

IT

The very large, nearly 40,000 strong patient database in Cherrybrook created some inherent computer problems lately. Upgrading the server was a difficult task that was carried out with minimum disruption. Congratulations to our IT team.

I already mentioned the work in progress regarding the doctors payment process. This is a large project with significant implications to the scalability of the business model.

The next project ahead will be an innovative re-design of the vaccination billing process. This area was identified as a priority to replace the current error-prone system.

FUTURE CENTRES

During the year we commissioned a major research project to identify suitable future locations for our new medical centres. We utilised the resources of Leasing Information Systems, a company offering unique services for such projects.

We used a very specific set of criteria including demographics and shopping centres' statistics.

The result is a list of some 20 possible locations satisfying our search criteria. We are currently in the process of identifying some new opportunities in Queensland.

Most importantly this project proved the importance of a systematic statistical approach in rolling out our network plan for the future. The demographics were based on the ABS' 2011 census data. The 2016 statistics became available just recently, so we will run the search on the latest set of data in the near future again.

BELCONNEN

Our next medical centre will be built in Belconnen, the third one in the Canberra region. Negotiations about the lease terms started earlier. By now the project has started to take shape with a likely opening date of March 2018. Based on the progress we are developing a project management plan to use for future projects taking a more systematic approach.

The location will give the perfect opportunity to introduce the new position of Regional Manager to our Organisation and Accountability Charts with the aim of developing a more effective management structure.

GP RECRUITMENT

The company recognised the key importance of a systematic approach to the GP recruitment process. In January 2017, a separate division has been created to address the growing need of a more reliable supply of qualified GP's. This allows us to source GP's in a more predictable and efficient way.

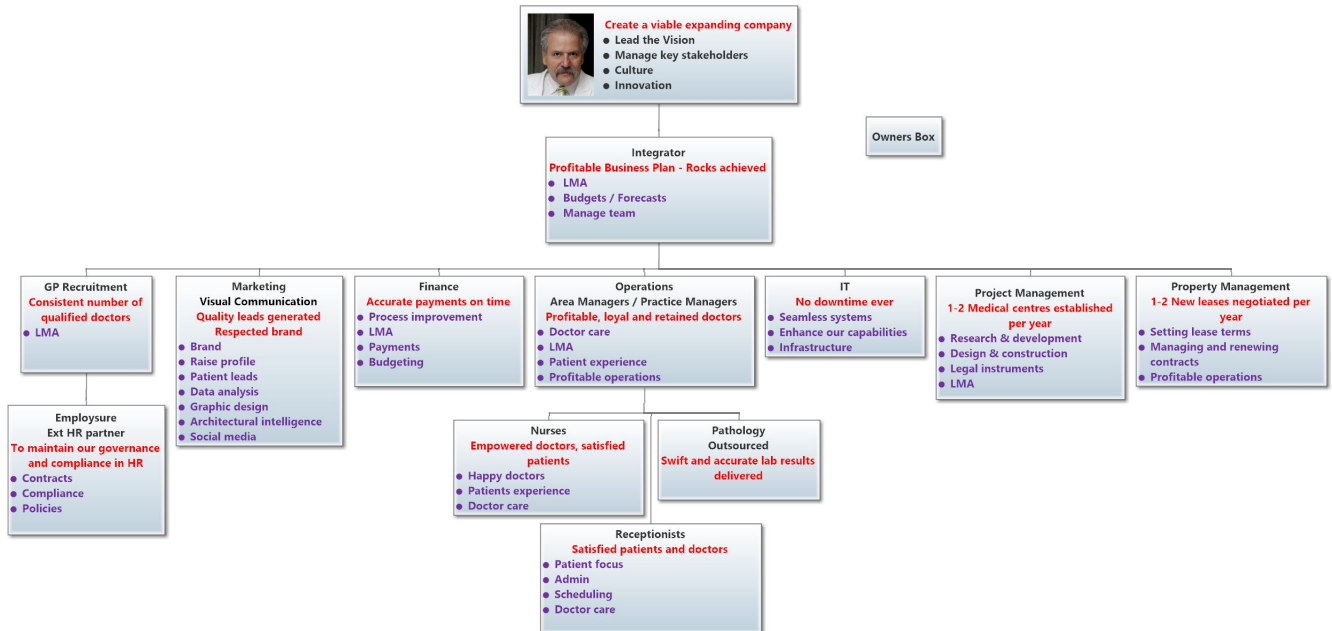
Over the last few months we have already achieved promising results in not just fulfilling our internal recruitment needs but also recruiting doctors for other practices as well.

We plan to open a UK branch next financial year. The UK team will be conducting seminars with UK and Irish registered General Practitioners and helping them migrate to Australia. This will give us a greater supply of doctors to rely on.

The success of the recruitment division is essential in achieving our goals and has the potential to add significant value to the company.

Peter Szekely
Director

Accountability Chart



Currently not all positions in the Accountability Chart are filled. It is a priority to keep the management team as small and efficient as possible. The chart is aimed to map the future expansion of the organisation.



OPENING MARCH 2018



Trans-Ax Health Care
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