

2018 Annual Report

Year ended 30 June



Trans-Ax Health Care
Empowering Doctors[®]

Trans-Ax Health Care is a general practice health care company committed to supporting doctors.

Equipping our doctors to practice effectively is our priority; we go the extra mile to guarantee satisfaction.

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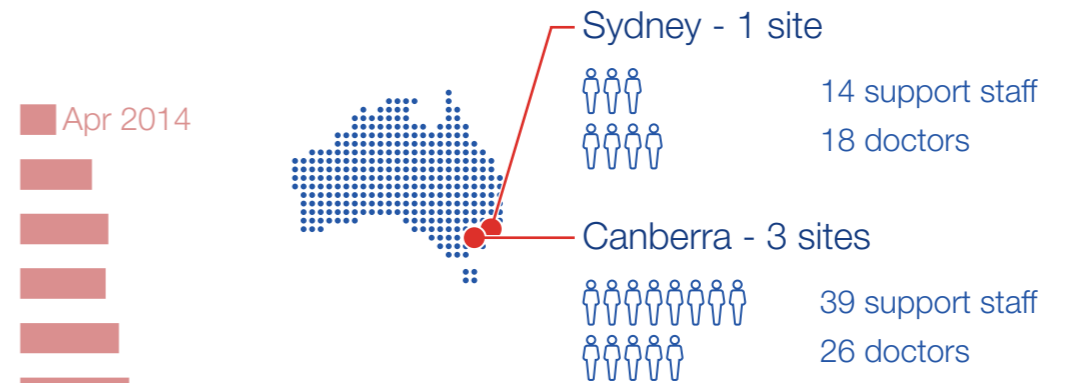
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1 ABOUT

ABOUT TRANS-AX HEALTH CARE

“We are the pillars of the communities to which we provide affordable healthcare”



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: to build **30+ Medical Centres** with **300+ doctors**, offering multi-disciplinary services Australia-wide.

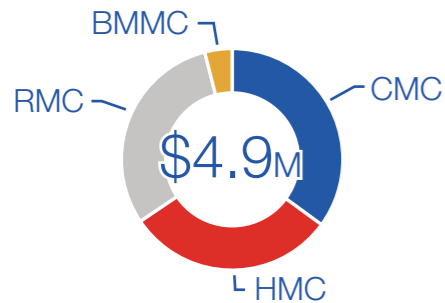


54,000 consultations given April quarter FY18

Apr 2018

ABOUT TRANS-AX HEALTH CARE

Net income breakdown FY 2018



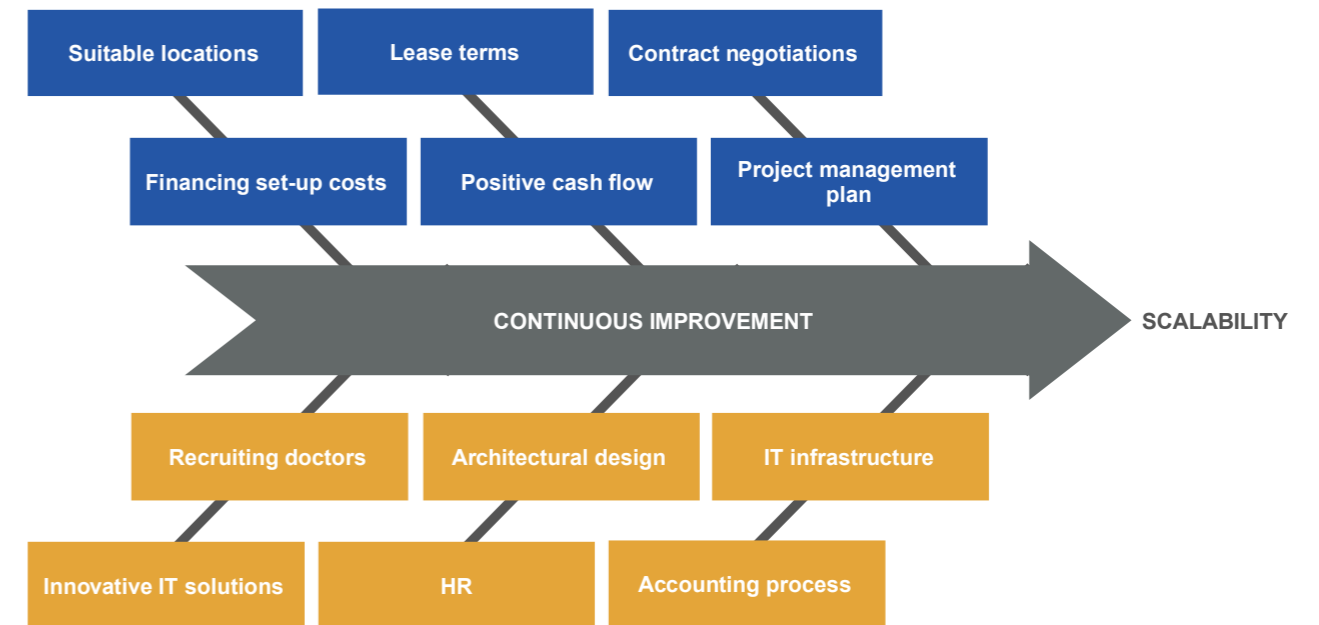
In the medium-term, the company is aiming to achieve publicly **listed status by 2021**, based on an **EBITDA of \$5M**.

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

Building 4 successful medical centres since 2012 was part of developing several important ideas and elements of the business model focusing on the following areas:

- Research 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 bespoke software solutions

EVOLUTION OF THE BUSINESS MODEL



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

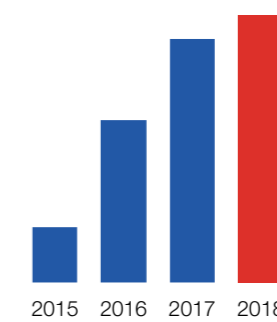
A free spirited approach to create a workplace where everyone is open and honest and are passionate to help our team be the best we can be

FINANCIAL HIGHLIGHTS

Net Operating Income

\$4.15m

↑ 9% on previous year



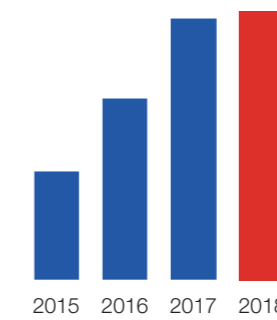
↑ 13%
NON-MEDICAL
INCOME

*Rents, contributions, and incentive payments, compared to FY 2017

Doctors' Billings

\$9.62m

↑ 3% on previous year



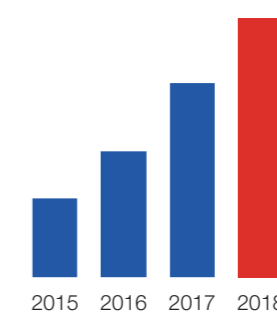
\$1M+
MONTHLY
BILLINGS

*May 2018 combined across all sites

New Patients Registered

113k

↑ 30% on previous year

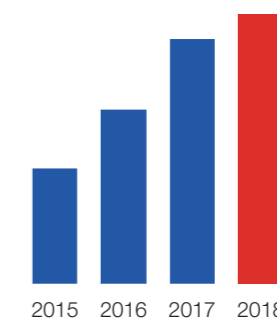


↑ 17%
ADVERTISING
BUDGET

Billed Consultations

187k

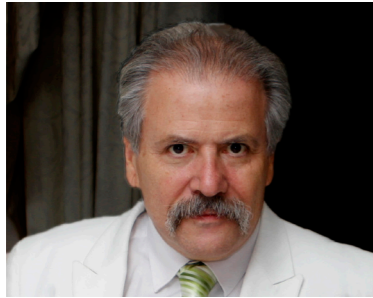
↑ 10% on previous year



↑ 18%
DOCTOR'S
ROOMS

* Due to the new rooms opened for BMMC

TRANS-AX MANAGEMENT TEAM



Peter Szekely – Founder of Trans-Ax Health Care, setting the goals and values of the company. Peter's vision and passion for growth has been the driving force behind the development and progress of the company.



David Szekely – This year, the management team is proud to have recruited Dr. David Szekely, a former analyst in investment banking. He brings a wealth of knowledge and skills to the team, and has delivered several key technology projects which streamline the business at every level. David's work generates great value for the company and adds a new layer of innovation to the Trans-Ax business model.



Larissa Stevenson – Setting up Hyperdome Medical Centre was Larissa's first responsibility within the Trans-Ax organisation. She was equally successful and effective as Project Manager and later as Practice Manager. When Belconnen started, Larissa was promoted to the position of Regional Manager with wide ranging responsibilities, covering multiple medical centres in the Canberra area. She has a unique capability of building great teams and creating an environment where those teams thrive and prosper.

TRANS-AX MANAGEMENT TEAM



Lawrence Eadie – Dr. Recruitment Australia – Lawrence has had a lengthy working relationship with Peter, dating back to 2015, when he was still working at Global Medics as head of their GP desk. Peter was floored by Lawrence's tenacity and relentless attitude, and joined forces with him in January 2017. They formed Dr. Recruitment to head the recruitment arm of Trans-Ax Health Care. While focusing primarily on the needs of our medical centres, they recruit interdisciplinary doctors nationally.



Pauline Caldwell – Pauline joined the team in September 2014 as a receptionist at Riverside Medical Centre, but Peter quickly saw her fastidious hard-working nature, and quickly promoted her to practice manager. While she excels at all of duties as a PM, she insists on answering phones and servicing the needs of her patients, alongside her receptionists.



Rajeevan Muralitharan – Coming from a corporate role with Primary Health Care, he joined the team in September 2016 as the practice manager of Cherrybrook Medical Centre. Aside from his duties as a PM, he has worked tirelessly to create a harmonious working environment. Rajeevan also brings a great deal of business / analytical acumen to his role.



Heath Stewart – ECOVIS Australia – A non-executive director of Trans-Ax Health Care, Heath provides invaluable insights into the health care climate in Australia during our monthly board meetings. Heath advises on acquisitions, and medium-to-long-term goals of the company to ensure that we are the most competitive in the industry.



Jakin Loke – ECOVIS Australia – Also a non-executive director working alongside Heath, Jakin provides advisory services to ensure that Trans-Ax is on the optimal route to expansion.

2 FINANCIAL REPORT

FINANCIAL REPORT

For the second time in our history, the company's revenue exceeded \$10,000,000 in a single financial year.

The EBITDA was again in excess of \$1,500,000.

The revenue base consists of

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

Next year's revenue outlook FY2019

(based on existing medical centres only)

Billings will continue to rise, as we recruit doctors to fill vacancies in RMC, and BMMC. We are on-track as well to maturing BMMC. As billings rise, the amount of government incentives will rise as well.

Budget forecast for next year:

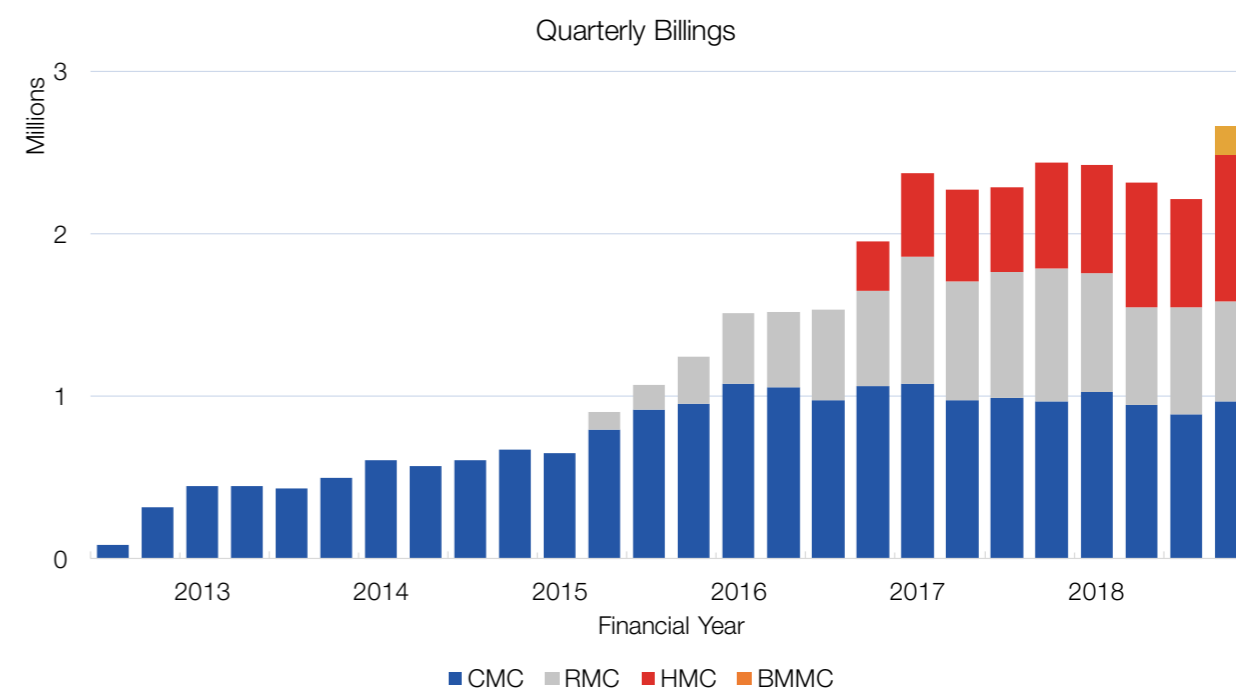
- 15% increase in Revenue
- 25% increase in EBITDA

INCOME STATEMENT

Income Statement for the year ended 30 June 2018

Revenue	11,840,672
Total Gross Patient Billings	10,369,662
Total Disbursements to Doctors	7,194,978
Income from Medical Services	3,174,684
Fitout contributions received	125,000
Gross Income from Medical Services	3,431,748
Incentive Payments	628,267
Rents Received	707,507
Gross Income	4,892,522
Accountancy	81,194
Advertising	139,378
Bank Charges	9,066
Cleaning	37,572
Consultants Fees	123,958
Contract Dr Fee	257,163
Electricity	14,986
Employment Costs	1,518,438
General Expenses	77,300
Insurances	31,031
IT	60,111
Legal Fees	33,820
Medical Supplies	170,072
Postage	8,393
Rents	620,493
Repairs and Maintenance	10,082
Staff Training	8,630
Stationery and Office Supply	33,914
Telephone	42,870
Travel Expenses	81,212
Total Operating Expenses	3,359,683
EBITDA	1,532,839

MEDICAL CENTRE BILLINGS



Quarterly billings continued their strong growth in FY18. May 2018 was our best month on record, largely due to HMC's strong performance, and the opening of BMMC.

- Reaching maturity in 2016, CMC delivered consistent performance throughout the year, which was in-line with our forecasts.
- Lacking full utilisation of all consultation rooms, RMC underperformed in quarters 2, 3, and 4; we expect this to improve in the coming financial year when we find another permanent doctor to fill the gap.
- Continuing to mature, HMC showed the strongest growth of all our medical centres.
- With its opening in Q4 FY18, BMMC has a long way to go to reach its maturity. Nevertheless, billings have been strong despite having only a few doctors to man the rooms.



3 DIRECTOR'S REPORT

STRATEGIC HIGHLIGHTS

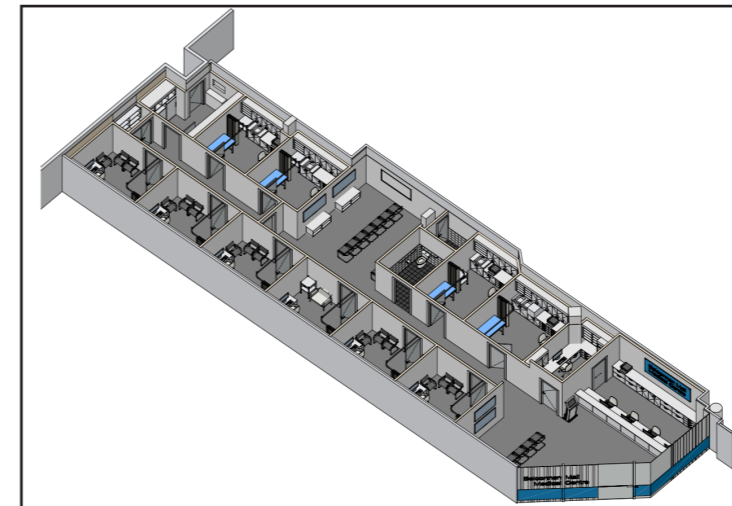
Belconnen Mall Medical Centre

We are very excited to announce the opening of our fourth medical centre. Situated in Belconnen Westfield, BMMC has 8 consultation rooms (4 being used), one currently occupied by Laverty Pathology.

The centre had a slow start, as many of the doctors who committed to joining the practice later pulled out for various reasons. Notwithstanding, the centre now has 4 outstanding, driven GPs who will make BMMC their permanent practice, and 1 psychiatrist, working part-time. We have a further 2 confirmed GPs joining the practice later in the year.

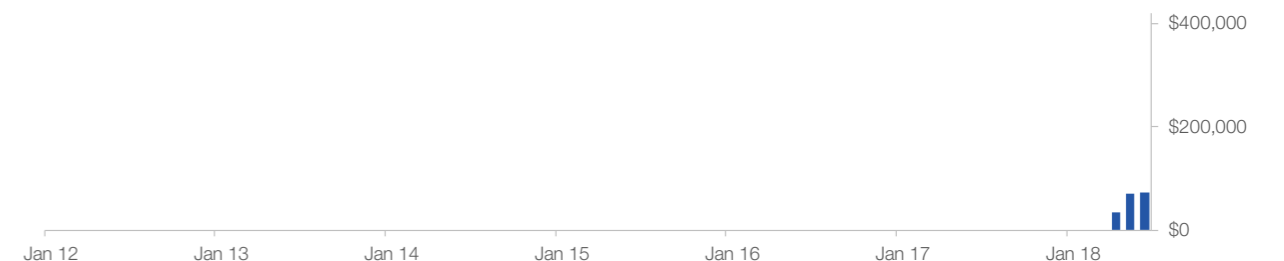


Patient numbers are steadily growing with over 2,500 registered since opening, and in June we saw our first day with more than 100 consultations given. We expect double this number regularly by the end of the calendar year.



The project was managed by Larissa.

Congratulations to the BMMC team whose hard work and dedication have cemented another successful Canberra practice.



STRATEGIC HIGHLIGHTS

Cherrybrook Medical Centre

Having achieved market saturation in 2016, Cherrybrook Medical Centre continues to deliver strong performance, with most months totaling over \$300,000 in billings, and some approaching the \$400,000 mark. These figures are typical of CMC over the past 3 years. Our Practice Manager, Jeevan, has done an outstanding job consolidating the practice, and works tirelessly to ensure a work environment that is comfortable for everyone.

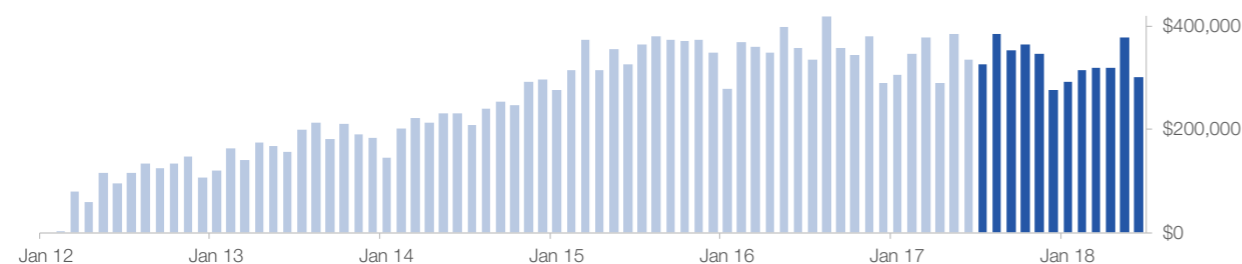
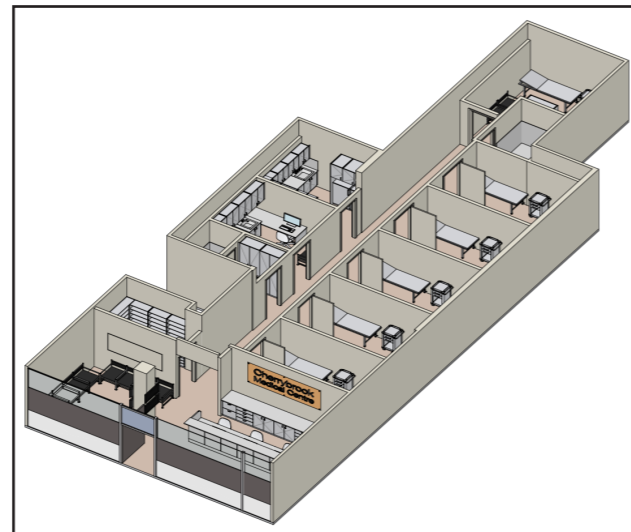


The centre's lease expired in July 2017; Mirvac has now extended it to finalise the details of the refurbishment of Cherrybrook Village. Negotiations with Mirvac have concluded, and we have successfully lobbied for an ideal location currently occupied by Liquorland, offering 268 m². The

space will house 8 consultation rooms, and 2 collection rooms for Laverty Pathology. We expect the relocation to occur in December this year.

Though we have some hurdles to clear in the coming months to facilitate the relocation, we have the backing of a seasoned construction company, HIS. The group has built over 200 medical centres, and we have the utmost confidence that they will complete the job on time, and on budget.

The additional rooms will allow us to recruit more doctors, and service more patients, so we expect to see growth in monthly billings of \$80,000 - \$120,000 over the coming years.



STRATEGIC HIGHLIGHTS

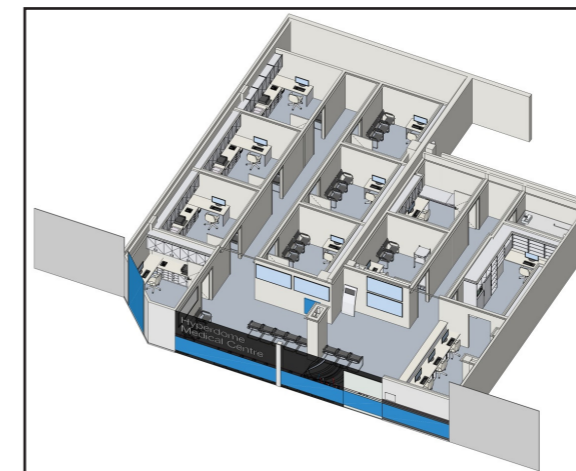
Hyperdome Medical Centre

Hyperdome Medical Centre has continued its strong performance this year, bringing in more new patients than any of our other centres. This is largely thanks to having chosen the ideal location in southwest Canberra, and to our dedicated team of staff, led by one of our exemplary Practice Managers, Larissa.

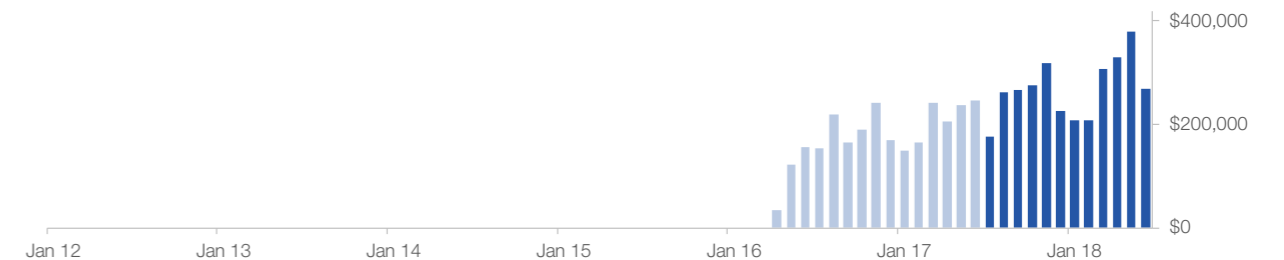
Consistently full appointment books, day and night, and a pathology which can't keep up with the demand have meant that HMC is in desperate need of extension. We have been in talks with South.Point Shopping Centre (formerly Hyperdome Shopping Centre), and we have found the ideal location, a 124 m² space across the pedestrian walkway from the existing medical centre, currently occupied by a rug store.



We aim to relocate Laverty Pathology from within the medical centre to this space. This will mean fewer patients in the waiting room, and one extra



consultation room for a doctor (yet to be recruited). The available floor space in the extension also allows us to build a further 2 spacious consultation / procedure rooms, to be used by those doctors who are interested in practicing clinical medicine. The extension will be built in Q1 FY 2019, with a view to opening in early September.



STRATEGIC HIGHLIGHTS

Hyperdome Medical Centre (cont'd)

To help fund the construction of the extension, Trans-Ax Health Care has submitted a tender to the government for a grant designed to boost bulk-billing in the Tuggeranong area. The tender was submitted in April, and we have yet to learn the result.

May 2018 saw the strongest month in billings on record for HMC, totalling nearly \$400,000; a remarkable result. This fantastic result further reinforces the pressing need for the extension.

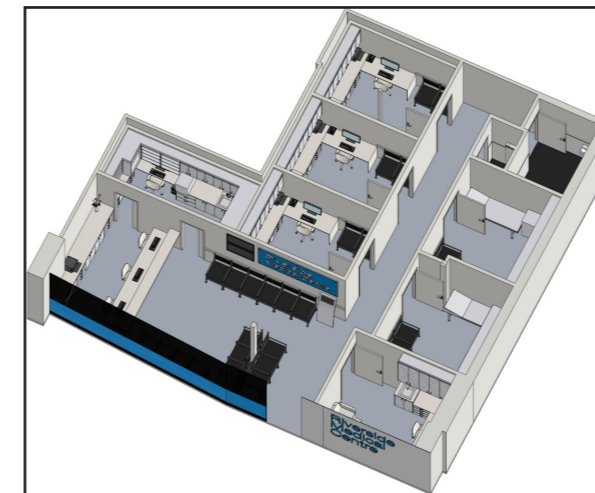
STRATEGIC HIGHLIGHTS

Riverside Medical Centre

Performance for Riverside Medical Centre in FY 2017 far exceeded expectations, given it's relatively small size (5 consultation rooms). While billings in FY 2018 were not as strong, since the practice had only 4 rooms in use for half of the year, we believe we will see improvement in the coming year. We will recruit a permanent doctor to practice in the room currently in use by a locum (due to leave us in Q1 FY 2019), and the non-VR doctor is likely to be followed this year.

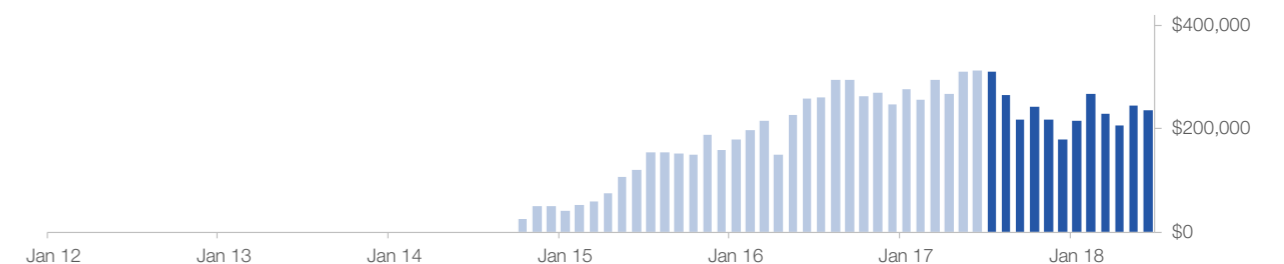
April marked a turning point for RMC, as the practice started to transition into a mixed-billing practice. Though we expected somewhat of a downturn in billings, this was not the case.

Patient numbers and billings are strong, though the transition is still in its infancy, with private billings at ~13% of total billings in June (up from ~7% in March).



Our Practice Manager in RMC, Pauline, and her staff have handled the transition with aplomb, and we have every confidence that the mixed-billing practice will be a successful one.

There are currently no plans to extend the premises of RMC, particularly until we see the long-term implications of the practice becoming mixed-billing.



PARTNERSHIP WITH DR. RECRUITMENT

This financial year has been another successful one for Dr Recruitment, and its partnership with Trans-Ax Health Care. We have recruited a large number of GPs domestically and internationally for Trans-Ax Health Care and for external practices. As a result, we have taken on additional recruitment consultants.

Financial year 2018 saw Dr Recruitment take a significant step towards launching our UK office with our successful trip to the BMJ Careers Fair in London. We have increased the number of GPs that we recruit from overseas enabling us to have a reliable supply of UK, Irish, and Canadian trained GPs.

The success of the recruitment division is essential in achieving Trans-Ax Health Care and Dr Recruitment's goals, and has added significant value to the company.

Lawrence Eadie
Director - Dr Recruitment



OPERATING HIGHLIGHTS

Business Development

The Annual Manager's Meeting was held this year at our new corporate headquarters in Three International Towers, Baranagaroo, Sydney. We discussed our roadmap, our core values, and other important issues. Additionally, we had presentations from Brown Wright Stein, our legal partners, and Roger Vertannes, our EOS Business Management partner. Thank you to all that attended and presented at the meeting, the feedback on it was overwhelmingly positive.

One-on-one Skype meetings with all managers have continued this year; this may be extended to a manager's group meeting once a month in the coming year.

Marketing

HealthEngine is now our primary marketing tool. They provide preferential search functionality across all of the postcodes near our centres, facilitate online bookings, and run our Google AdWords campaigns across all of our sites.

The corporate videos in combination with the earning potential calculator on our website have been more successful than we could have imagined in attracting doctors to our centres. This year, we will extend the videos to include some of our more recently appointed doctors.

This year, we will have a stand at the British Medical Journal Careers Fair in London, attended by Lawrence and Larissa. We aim to advertise the benefits of working as a GP in Australia.

OPERATING HIGHLIGHTS

HR

We continue to use Employsure as our external HR provider. They have proven to be invaluable to the business over the past year, navigating us through some difficult HR scenarios. Additionally, we continue to use Tanda as our timesheet management software.

This year, with the help of our legal partners, we have devised a new doctor's contract to help minimise the risk of adverse tax implications.

IT and Infrastructure

With the appointment of David, we have ushered in a new era of technology which helps the business grow. The software and infrastructure developed over the past year have helped reduce errors, and saved countless hours in performing repetitive tasks at all levels of the business. The 'Investment in Technology' section contains examples of these innovative solutions.

INVESTMENT IN TECHNOLOGY

We recognise the role of technology in business, and to that end, we have invested significantly in several innovative projects to help streamline our processes. The benefits are two-fold:

1. Fewer errors, and
2. Less time spent on repetitive tasks.

The following sections detail some of the projects that have been delivered.

The Online Doctor's Portal



Following the success of the doctor's payment calculator (completed earlier in the year), we opened the platform to our doctors so that they could view their invoices, and constituent billings online. This allows each doctor to view exactly how we calculate their payments, and GST withheld, on a secure online platform (accessible on all mobile and desktop devices).

Transparency on the payment process has provided peace-of-mind to all our doctors, and unencumbered our accounting team. We've received overwhelmingly positive feedback on this initiative from our doctors.

Accounts Payable System

Our accounts payable system is now state-of-the-art, using a bespoke solution. Briefly, the key details of any scanned or PDF invoice can be gleaned automatically at the click of a button, and verified by our practice managers (via our secure portal), and then transmitted to the accounting team for remittance.



The system has cut errors, and significantly reduced the time taken to settle accounts.

Patient Registration System



Currently being rolled out, this system reduces the strain on receptionists by employing cutting-edge handwriting recognition to read patient registration forms. We use sophisticated algorithms to ensure that all details read off the form, like patient Medicare number, and address are 100% accurate when written to our patient database.

INVESTMENT IN TECHNOLOGY

The Recruiter's Portal

The online portal assists our recruiters by providing comprehensive information about medical centres anywhere in Australia that a candidate may be interested. At the click of a button, our recruiters can see all the practices in an area, and filter on type of billing, after hours service etc., and start calling to enquire about vacancies. Lawrence's leadership, combined with our dashboard make our recruiters the most productive in the industry.



Reporting



Financial reporting, and practice metrics are available in real-time with the help of Microsoft's new Business Intelligence tool, Power BI. The tool allows us to drill into our data with unprecedented ease, and helps us identify trends, highlight issues, and provides unique insights into how the P&L of our practices is tracking.

Other exciting technology initiatives are on the horizon, and we look forward to a year where only the minimum time is spent by our employees on repetitive tasks.



Trans-Ax Health Care
Empowering Doctors[®]