



1 February 2017

Australian Securities Exchange

PULSE SCHEME BOOKLET REGISTERED WITH ASIC

- ***Australian Securities and Investments Commission (“ASIC”) has registered the Scheme Booklet attached to this announcement.***
- ***The Independent Expert has concluded that the Scheme is “fair and reasonable” and therefore in the best interests of Pulse shareholders, in the absence of a superior proposal***
- ***Pulse Directors unanimously recommend that Pulse shareholders vote in favour of the the Scheme in the absence of a superior proposal and subject to the Independent Expert continuing to opine that the Scheme is in the best interest of Pulse Shareholders***

Wednesday, 1 February 2017: Pulse Health Limited (ASX:PHG) (“**Pulse**”) is pleased to announce that ASIC has registered the scheme booklet (“**Scheme Booklet**”) in relation to the previously announced proposed acquisition of all of the shares in Pulse by Healthe Care Australia Pty Ltd (“**Healthe Care**”) via a scheme of arrangement (“**Scheme**”). This follows the issuance of orders by the Supreme Court of New South Wales (“the **Court**”) yesterday convening a meeting of Pulse shareholders to consider and vote on the Scheme.

A copy of the Scheme Booklet, including the Independent Expert’s report and a notice of Scheme meeting, is attached to this announcement and will be sent to Pulse shareholders on or about Wednesday, 8 February 2017.

The Independent Expert, Leadenhall Corporate Advisory Pty Ltd (“**Leadenhall**”), has concluded that the Scheme is “fair and reasonable” and, therefore, in the best interest of Pulse shareholders, in the absence of a superior proposal. Leadenhall’s conclusion should be read in context with the full Independent Expert’s report and the Scheme Booklet attached to this announcement.

Scheme Meeting

Pulse shareholders will be asked to approve the Scheme at the Scheme Meeting to be held on Wednesday, 22 March 2017 in the Marra Room, The Grace Hotel, Level 2, 77 York Street, Sydney NSW 2000 commencing at 9:30 am (Sydney time).

All Pulse shareholders are encouraged to vote either by attending the Scheme Meeting in person, or by lodging a proxy vote by 9:30 am (Sydney time) by Monday, 20 March 2017. Details of how to lodge a proxy vote are included in the Scheme Booklet.

If the Scheme is approved by the requisite majority of Pulse shareholders and all other conditions precedent are satisfied or waived (where capable of waiver), each Pulse shareholder will (in respect of each of their Pulse shares held on the Scheme record date (currently expected to be on or about Monday, 3 April 2017)) receive a cash payment of \$0.47 per Pulse share on the implementation date (currently expected to be on or about Thursday, 6 April 2017).

The Board of Directors of Pulse continues to unanimously recommend that Pulse shareholders vote in favour of the Scheme at the upcoming Scheme Meeting to be held on Wednesday, 22 March 2017, in the absence



of a superior proposal and subject to the Independent Expert continuing to opine that the Scheme is in the best interest of Pulse Shareholders.

For more information, contact:

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ABOUT PULSE HEALTH

Pulse Health was established in 2007 as an ASX listed private hospital operator. It is a leading operator of specialist private hospitals. Our hospitals, as key members of their communities, partner with local specialist doctors to provide high quality specialist care for local patients.

ABOUT HEALTHE CARE

Healthe Care is a subsidiary of Luye Medical International, part of the Luye Group. Healthe Care is the third largest private hospital operator in Australia and one of the country's largest privately-owned healthcare organisations. Healthe Care employs 5,000 people and operates a portfolio of 17 hospitals located in major cities and key regional areas across Australia. These include around 2,000 beds, 50 operating theatres and eight catheterisation labs. The company also provides a range of out-patient services including workplace rehabilitation and community nursing which offer patients flexibility and continuity of care beyond their hospital stay.



SCHEME BOOKLET

For a recommended scheme of arrangement in relation to the proposed
acquisition of all of your shares in

Pulse Health Limited

ABN 69 104 113 760

by

Healthe Care Australia Pty Ltd

ABN 93 117 285 300

a wholly owned Australian subsidiary of Luye Investment Group Co., Ltd

VOTE YES

The Pulse Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders.

Financial Adviser to Pulse

ALLIER
— CAPITAL —

Legal Adviser to Pulse

 **NORTON ROSE FULBRIGHT**

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

It should be read in its entirety. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

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IMPORTANT NOTICES

The Scheme Booklet

This Scheme Booklet is dated 1 February 2017 and sets out details of the Scheme and constitutes the Explanatory Statement for the Scheme for the purposes of Section 412(1) of the Corporations Act. It explains the effect of the Scheme between Pulse and Pulse Shareholders to be considered at the Scheme Meeting. A copy of the proposed Scheme of Arrangement is included in this Explanatory Statement as Annexure B.

You should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

Important Notice Associated with Court Order under subsection 411(1) of Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved the Explanatory Statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter members must reach their own decision); or
- (b) has prepared, or is responsible for the content of, the Explanatory Statement.

ASIC and ASX

A copy of this Scheme Booklet has been examined and the Explanatory Statement registered by ASIC for the purposes of Section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with Section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, then it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor its officers take any responsibility for the contents of this Scheme Booklet.

Investment decisions

The information contained in this Scheme Booklet does not constitute financial product advice. This Scheme Booklet does not take into account the investment objectives, financial situation or particular needs of individual Pulse Shareholders or any other person. Independent financial and taxation advice should be sought before making any decision in relation to the Scheme.

Responsibility statement

The Pulse Information has been prepared by Pulse and its directors and is the responsibility of Pulse. None of Healthe Care or its Representatives assume any responsibility for the accuracy or completeness of the Pulse Information or any other part of the Scheme Booklet other than the Healthe Care Group Information.

The Healthe Care Group Information has been provided by Healthe Care and is the responsibility of Healthe Care. None of Pulse or its Representatives assume any responsibility for the accuracy or completeness of the Healthe Care Group Information.

The Independent Expert has prepared the Independent Expert's Report in Section 7 of this Scheme Booklet and is responsible only for that report and for other statements in this Scheme Booklet made by, or said to be based on statements made by, the Independent Expert. None of Pulse, Healthe Care or their respective Representatives assume any responsibility for the accuracy or completeness of the Independent Expert's Report, except in the case of Pulse in relation to information provided by Pulse to the Independent Expert.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. All forward-looking statements in this Scheme Booklet reflect the current expectations of either Pulse or Healthe Care concerning future results and events and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Pulse's or Healthe Care's objectives, plans, goals or expectations are or may be forward-looking statements.

The statements contained in this Scheme Booklet about the advantages and disadvantages anticipated to result from the Scheme are also forward-looking statements. Such statements involve known and unknown risks, uncertainties, assumptions and other important factors that may cause the actual results, performance or achievements of Pulse to be materially different from the results, performance or achievements expressed or implied by such statements. The operation and financial performance of Pulse are subject to various risks that are summarised in this Scheme Booklet and which may be beyond the control of Pulse. As a result, the actual advantages of the Scheme may differ from those that are anticipated. Pulse Shareholders should note that historical financial performance of Pulse is no assurance of future financial performance of Pulse.

Any forward looking statements in this Scheme Booklet are made, and reflect views held, only as at the date of this Scheme Booklet.

IMPORTANT NOTICES

Pulse and Healthe Care make no representation and give no assurance or guarantee that the occurrence of the events or the achievement of results expressed or implied in such statements will actually occur. You are cautioned not to place undue reliance on any forward looking statement, and all subsequent written or oral forward looking statements attributable to Pulse, Healthe Care or any person acting on their behalf are qualified by this cautionary statement. Subject to any continuing obligations under the Listing Rules or the Corporations Act, and except as set out in Section 10.23 neither Pulse or Healthe Care give any undertaking to update or revise any forward looking statements after the date of this Scheme Booklet to reflect any changes in expectations in relation to the forward looking statements or any change in events, conditions or circumstances on which any such statements are based other than with respect to information Pulse or Healthe Care respectively become aware of prior to the Scheme Meeting which is material to the making of a decision by Pulse Shareholders regarding whether or not to vote in favour of the Scheme.

Privacy and Personal Information

Pulse will need to collect personal information to implement the Scheme. The personal information may include the names, contact details and details of shareholdings of Pulse Shareholders, plus contact details of individuals appointed by Pulse Shareholders to act as proxies, corporate representatives or attorneys at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Pulse in the conduct of the Scheme Meeting and to enable the Scheme to be implemented. The collection of certain personal information is required or authorised by the Corporations Act.

Pulse Shareholders, and other individuals in respect of whom personal information is collected, have the right to access and correct the personal information collected about them. Pulse Shareholders can contact the Privacy Officer at Pulse Share Registry by email at privacy@computershare.com.au if they wish to exercise those rights. The link to Pulse Share Registry's privacy policy is available on www.computershare.com/au.

Personal information may be disclosed to the share registrars of Pulse, print and mail service providers, authorised securities brokers, Related Bodies Corporate of Pulse and to Pulse's advisers and other third parties involved in implementing the Scheme to the extent necessary to implement the Scheme and to government bodies and regulatory authorities (where required or authorised by applicable laws). If the information outlined above is not collected, Pulse may be hindered in, or prevented from, conducting the Scheme Meeting, or implementing the Scheme effectively or at all. Pulse Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting should ensure that they inform that person of the matters outlined above.

Pulse may hold personal information in, or disclose personal information to the parties listed above who are located in, countries outside Australia, including in China and New Zealand and potentially other countries from time to time.

Shareholders may contact Pulse to access and correct the personal information that Pulse holds and ascertain how to lodge a complaint relating to Pulse's treatment of personal information.

Timetable and dates

Unless otherwise stated, a reference to time in this Scheme Booklet is a reference to time in Sydney, New South Wales, Australia. All dates and times relating to implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from the Court and other regulatory authorities. Any changes to the timetable will be announced on the ASX and on Pulse's website at <http://www.pulsehealth.net.au/investor-information>.

Rounding

Certain financial figures in this Scheme Booklet have been rounded as applicable, unless otherwise stated. Such figures should be considered as approximate figures. Any discrepancies in any table between totals and sums of amounts listed therein or to previously published financial figures are due to rounding.

Defined terms and interpretation

Capitalised terms and certain abbreviations used in this Scheme Booklet are defined either in the Glossary and Definitions in Section 11 or in the body of this Scheme Booklet.

Unless otherwise indicated, all references to sections are reference to sections of this Scheme Booklet.

References to (\$) dollars in this Scheme Booklet are to Australian dollars, unless otherwise stated.

Tax

Pulse Shareholders should consult their tax adviser as to the tax consequences of the Scheme relevant to their individual situation.

HIGHLIGHTS

The information in this section is a summary only and you should read the entire Scheme Booklet before deciding how to vote.

Key reasons to vote for the Scheme

- The Pulse Directors unanimously recommend that Pulse Shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders
- The Scheme Consideration represents a significant premium to trading prices of Pulse Shares on the ASX prior to the Announcement Date
- The Independent Expert has concluded that the acquisition of Pulse Shares by Healthe Care under the Scheme is fair and reasonable and in the best interests of Pulse Shareholders
- The price of Pulse Shares may fall if the Scheme does not proceed
- You will receive certain and immediate value for your Pulse Shares in the form of cash consideration in a time of market volatility and an uncertain global environment
- No brokerage or stamp duty will be payable by you on the transfer of your Pulse Shares
- As at the date of this Scheme Booklet, no Superior Proposal has emerged

Key reasons to consider voting against the Scheme

- You might disagree with the recommendation of the Pulse Directors and the conclusion of the Independent Expert
- You may consider that the tax consequences of the Scheme for you (as assessed by you) do not suit your financial position
- You may believe it is in your best interests to maintain your current investment and risk profile
- If the Scheme proceeds, you will no longer be a shareholder of Pulse and you will not be entitled to participate in any potential upside that may result from being a shareholder in Pulse
- You may believe that there is the possibility of a superior proposal emerging

Section 4 of this Scheme Booklet provides greater detail as to reasons to vote for or against the Scheme.

TIMETABLE AND KEY DATES

EVENT	DATE
Date of this Scheme Booklet	1 February 2017
Scheme Meeting Proxies - Last time and date by which Scheme Proxy Forms and powers of attorney for Scheme Meeting can be lodged	9:30am (Sydney time) on Monday, 20 March 2017
Time and date for determining eligibility to vote at Scheme Meeting – if you are registered as a Pulse Shareholder at 7.00pm (Sydney time) on Monday, 20 March 2017, you will be entitled to attend, and vote at the Scheme Meeting	7.00pm (Sydney time) on Monday, 20 March 2017
Scheme Meeting – the Scheme Meeting will be held at The Marra Room, The Grace Hotel, Level 2, 77 York Street, Sydney NSW 2000	9:30am (Sydney time) on Wednesday, 22 March 2017
If the resolution to proceed with the Scheme is passed at the Scheme Meeting by Pulse Shareholders:	
Court hearing for approval of the Scheme	Friday, 24 March 2017
Effective Date	Monday, 27 March 2017
Last day of trading in Pulse Shares on ASX	Monday, 27 March 2017
Scheme Record Date – time and date for determining entitlements to Scheme Consideration under the Scheme	7.00pm (Sydney time) on Monday, 3 April 2017
Implementation Date – transfer of Pulse Shares to Healthe Care	Thursday, 6 April 2017
Dispatch of payment of Scheme Consideration to Pulse Shareholders	Thursday, 6 April 2017

All times referred to in this Scheme Booklet are references to time in Sydney, New South Wales, Australia, unless otherwise stated.

This timetable is indicative only, and the actual timetable will depend on many factors which are outside the control of Pulse. These factors include the Court approval process and the time at which the conditions precedent to the Scheme are satisfied or waived (as applicable). The conditions precedent are summarised in Section 3.8 and set out in more detail in Section 9.13(2) of this Scheme Booklet. In particular, if there is any delay in obtaining the regulatory approvals described in Sections 3.8 and 9.13(2), the Scheme Meeting may be postponed to a later date and if so, subsequent dates (including the Implementation Date and the date you are paid your Scheme Consideration) in the timetable above will also be postponed. Pulse has the right to vary the timetable set out above subject to the approval by Healthe Care, the Court and the ASX where required. Any variation to the timetable will be announced to the ASX and published on Pulse's website.

LETTER FROM THE CHAIRMAN

Dear Pulse Shareholder

The Pulse Board is pleased to present you with an opportunity to receive cash consideration for your Pulse Shares under a proposed scheme of arrangement under which Healthe Care, a subsidiary of Luye Investment Group Co., Ltd (**Luye Investment Group**), is proposed to acquire all of the shares in Pulse Health Limited (**Pulse**) (**Scheme**).

We believe that the Scheme offers you the ability to realise real value, in cash, for your Pulse Shares and has significant benefits to all Pulse Shareholders. Please consider the information in this Scheme Booklet carefully when determining whether to vote in favour of the Scheme.

Scheme Consideration

Under the Scheme, you will receive \$0.47 cash for every Pulse Share you own as at the Scheme Record Date.

The consideration of \$0.47 per Pulse Share represents a premium of:

- 42.4% to the closing price of \$0.330 per Pulse Share on 19 October 2016, being the trading day prior to 20 October 2016 when the non-binding, indicative proposal from Healthe Care in relation to the Scheme was announced;
- 45.5% to the volume weighted average price of \$0.323 per Pulse Share for the 5 trading days up to and including 19 October 2016;
- 50.9% to the volume weighted average price of \$0.311 per Pulse Share for the 30 trading days up to and including 19 October 2016; and
- 76.0% to the volume weighted average price of \$0.267 per Pulse Share for the 90 trading days up to and including 19 October 2016.

You will find a full list of reasons to vote in favour of the Scheme in Section 4.2 of this Scheme Booklet. Section 4.3 sets out a list of reasons why you may consider voting against the Scheme.

Independent Expert

The Independent Expert, Leadenhall Corporate Advisory Pty Ltd ACN 114 534 619, has concluded that the acquisition of Pulse Shares by Healthe Care under the Scheme is fair and reasonable and in the best interests of the Pulse Shareholders. The Pulse Directors encourage you to read the Independent Expert's Report, set out in Section 7 of this Scheme Booklet, in its entirety.

LETTER FROM THE CHAIRMAN

Unanimous Recommendation of the Pulse Directors

The Pulse Directors unanimously recommend that Pulse Shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders. Each of the Pulse Directors also intends to vote in favour of the Scheme in respect of the Pulse Shares held or controlled by them, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders.¹

Your vote is important for the Scheme to proceed

In order for the Scheme to proceed, it will need to be agreed to by the requisite majorities at the Scheme Meeting which is to be held on 22 March 2017 at The Marra Room, The Grace Hotel, Level 2, 77 York Street, Sydney NSW 2000.

Further detailed information on the Scheme is provided in this Scheme Booklet.

Should you have any questions, call Pulse during business hours in Sydney on +61 2 8278 7300, or visit the Pulse website at <http://www.pulsehealth.net.au/investor-information>.

We will continue to keep you informed in relation to the Scheme process.

Thank you for your continued support.



Mr Stuart James
Chairman

¹ Pulse Director Craig Coleman is the Executive Chairman of and owns a 20% interest in Viburnum, which holds Voting Power of approximately 19.29% in Pulse (comprising 49,596,514 Pulse Shares). The above statement of Pulse Directors' voting intentions does not relate to the Pulse Shares held by Viburnum. Please refer to Section 3.5 for details of Viburnum's voting intention.

1 IMPORTANT ACTION

The Scheme Meeting will be held on 22 March 2017 at The Marra Room, The Grace Hotel, Level 2, 77 York Street, Sydney NSW 2000 commencing at 9:30am (Sydney time).

1.1 Your vote is important

For the Scheme to proceed, it is necessary that sufficient Pulse Shareholders vote in favour of the Scheme. If you are registered on the Pulse Share Register as at 7.00pm (Sydney time) on 20 March 2017 you are entitled to vote at the Scheme Meeting in person, by attorney, by proxy or, in the case of corporate Pulse Shareholders, by corporate representative.

1.2 Scheme Meeting

The Scheme will be voted on at the Scheme Meeting, which is scheduled to start at 9:30am (Sydney time) on 22 March 2017.

The business of the Scheme Meeting is to consider, and if thought fit, to approve the Scheme. In order for the Scheme to proceed, among other Conditions Precedent it must be approved by:

- (1) a majority (more than 50%) in number of Pulse Shareholders present and voting at the Scheme Meeting (whether in person, by attorney, by proxy or, if applicable, by corporate representative); and
- (2) at least 75% of the total number of votes cast on the resolution to consider the Scheme by Pulse Shareholders present and voting at the Scheme Meeting (whether in person, by attorney, by proxy or, if applicable, by corporate representative),

although the Court has a discretion to waive the test in Section 1.2(1).

1.3 Carefully read and consider this Scheme Booklet

This is an important document. As a Pulse Shareholder, you should read the information in this Scheme Booklet in its entirety before making a decision on how to vote on the resolution to be considered at the Scheme Meeting.

If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

1.4 Consider the reasons whether to vote in favour of the Scheme

Refer to Section 4.2 for a discussion of the reasons to vote in favour of the Scheme and Section 4.3 for a discussion of the reasons why you may consider voting against the Scheme. Section 4.4 contains a discussion of other relevant considerations in relation to the Scheme.

1 IMPORTANT ACTION

1.5 Consider the unanimous recommendation of the Pulse Directors

The Pulse Directors unanimously recommend that you vote in favour of the Scheme in respect of all your Pulse Shares in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders.

In such circumstances, the Pulse Directors also unanimously intend to vote in favour of the Scheme in respect of all Pulse Shares held by or controlled by them.²

1.6 Consider the opinion of the Independent Expert

The Independent Expert has concluded that the acquisition of Pulse Shares by Healthe Care under the Scheme is fair and reasonable and in the best interests of Pulse Shareholders. The Pulse Directors encourage you to read the Independent Expert's Report, set out in Section 7 of this Scheme Booklet, in its entirety.

1.7 Vote on the Scheme in person or by proxy

You are urged to vote at the Scheme Meeting, either:

- (1) in person, by attending the meeting (the Scheme Meeting will be held at The Marra Room, The Grace Hotel, Level 2, 77 York Street, Sydney NSW 2000 at 9:30am (Sydney time) on 22 March 2017);
- (2) by appointing a proxy to attend and vote on your behalf using the personalised Proxy Form that accompanies this Scheme Booklet. The Proxy Form must be completed and received by Pulse at Pulse's registered office or by the Pulse Share Registry by 9:30am (Sydney time) on 20 March 2017 by:
 - (a) appointing a proxy electronically:
 - (i) if you are an individual shareholder - at Pulse's share registry website www.investorvote.com.au and logging in using the control number found on the front of your accompanying Proxy Form;
 - (ii) if you are a custodian or nominee subscribed to Intermediary Online go to www.intermediaryonline.com to lodge your proxy;
 - (b) appointing a proxy electronically via the direct personalised link which was sent to you via email, if you have elected to receive notices of Pulse meetings by email and provided your email address details to the Pulse Share Registry;
 - (c) mailing the Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001 Australia;
 - (d) hand delivering the Proxy Form to Computershare Investor Services Pty Limited, 452 Johnston Street, Melbourne Victoria 3067 Australia; or

² Pulse Director Craig Coleman is the Executive Chairman of and owns a 20% interest in Viburnum, which holds Voting Power of approximately 19.29% in Pulse (comprising 49,596,514 Pulse Shares). The above statement of Pulse Directors' voting intentions does not relate to the Pulse Shares held by Viburnum. Please refer to Section 3.5 for details of Viburnum's voting intention.

1 IMPORTANT ACTION

(e) faxing the Proxy Form to the Pulse Share Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia),

(and, if the Proxy Form is signed by an attorney, delivering with the Proxy Form the authority under which it was signed or a certified copy of the authority).

1.8 Voting by corporate representative

To vote at the Scheme Meeting (other than by proxy or attorney), a corporation that is a Pulse Shareholder may appoint a person to act as its corporate representative. The appointment must comply with section 250D of the Corporations Act. The corporate representative will be required to provide written evidence of his or her appointment which complies with Section 250D of the Corporations Act.

1.9 Voting by attorney

If you wish to vote by attorney, the power of attorney must be delivered, faxed or emailed and received by Pulse by no later than 9:30am (Sydney time) on 20 March 2017 (48 hours prior to the commencement of the Scheme Meeting or any adjournment of that meeting). Further details in connection with the appointment of attorneys are contained in the Proxy Form accompanying the Notice of Scheme Meeting in Annexure C.

1.10 If you have any further queries

If you have any questions in relation to the Scheme or the Scheme Meeting after reading this Scheme Booklet, please contact your legal, investment or other professional adviser.

You can also call Pulse during business hours in Sydney on +61 2 8278 7300, or visit the Pulse website at <http://www.pulsehealth.net.au/>.

2 FREQUENTLY ASKED QUESTIONS

This Section 2 answers some questions you may have about the Scheme. The information contained in this Section is a summary only. You should read the entire Scheme Booklet before deciding how to vote on the Scheme.

Questions	Answers	Where to find more information
THE SCHEME AT A GLANCE		
What is the Scheme?	<p>On 20 October 2016, Pulse announced a non-binding, indicative proposal from Healthe Care in relation to the Scheme and subsequently on 30 November 2016 Pulse announced that it had entered into the Scheme Implementation Deed, which establishes the framework for implementation of the Scheme.</p> <p>The Scheme involves Healthe Care, an indirect wholly owned subsidiary of Luye Investment Group, acquiring all Pulse Shares for \$0.47 cash per Pulse Share by way of scheme of arrangement.</p>	See Section 3 for a summary of the Scheme. A copy of the Scheme Implementation Deed is set out in Annexure D of this Scheme Booklet
When and where will the Scheme Meeting be held?	The meeting to approve the Scheme (being the Scheme Meeting) will be held at The Marra Room, The Grace Hotel, Level 2, 77 York Street, Sydney NSW 2000 at 9:30am (Sydney time) on 22 March 2017.	Section 1.2
Are there any conditions to the Scheme completing?	<p>The Scheme is subject to a number of Conditions Precedent which must be satisfied or waived in order for the Scheme to be implemented. The key Conditions Precedent include:</p> <ul style="list-style-type: none"> ■ Court approval of the Scheme. ■ Approval of the Scheme by Pulse Shareholders. ■ No Material Adverse Change occurring before 8.00am on the Second Court Date. ■ No Prescribed Event occurring before 8.00am on the Second Court Date. ■ The Independent Expert does not change or withdraw its recommendation prior to 5.00pm on the day before the Second Court Date. ■ Australian Competition and Consumer Commission (ACCC) informal merger clearance. ■ Any approval required from the New Zealand Overseas Investment Office (NZ OIO). 	See Section 9.13(2) for a summary of the Conditions Precedent to the Scheme and see clause 3.1 of the Scheme in Annexure B and clause 3.1 of the Scheme Implementation Deed in Annexure D for the full Conditions Precedent

2 FREQUENTLY ASKED QUESTIONS

Questions	Answers	Where to find more information
Are there any conditions to the Scheme completing?	<ul style="list-style-type: none"> No law, rule, regulation, restraining order, preliminary or permanent injunction or other legally binding order issued by any court of competent jurisdiction or Governmental Agency preventing or restraining implementation of the Transaction is in effect as at 8.00am on the Second Court Date. <p>See Section 9.13(2) for a summary of these, and the other, Conditions Precedent.</p>	
Is there an exclusivity arrangement?	<p>Yes, under the Scheme Implementation Deed, Pulse has agreed to certain restrictions during the Exclusivity Period, including not to:</p> <ol style="list-style-type: none"> solicit, initiate, invite or otherwise encourage any enquiries, negotiations or discussions in relation to, or with a view to obtaining, or which would reasonably be expected to encourage or lead to the making of, any expression of interest, offer or proposal from any person in relation to a Competing Proposal, or communicate to any person an intention to do any of those things; facilitate, enter into or otherwise participate in any negotiations or discussions with any person regarding a Competing Proposal, or communicate to any person an intention to do any of those things; approve or recommend a Competing Proposal; or give any Third Party any information relating to Pulse or its businesses or operations in connection with or for the purposes of an actual, proposed or potential Competing Proposal. <p>However, the obligations referred to in items (2), (3) and (4) above are subject to a fiduciary carve-out.</p> <p>Pulse is also under an obligation to promptly notify and provide details to Healthe Care of any approach to discuss a potential Competing Proposal, including the identity of the person who made the approach and the key terms of the potential Competing Proposal.</p>	<p>The exclusivity provisions are summarised in Section 9.13(6) and set out in full in clause 9 of the Scheme Implementation Deed set out in Annexure D of this Scheme Booklet</p>

2 FREQUENTLY ASKED QUESTIONS

Questions	Answers	Where to find more information
Is there a matching right for a Competing Proposal?	Yes, Pulse has granted matching rights to Healthe Care in respect of any Competing Proposal that may arise in the circumstances provided in the Scheme Implementation Deed.	The matching rights are summarised in Section 9.13(6)(e) and set out in full in clause 9.6 of the Scheme Implementation Deed set out in Annexure D of this Scheme Booklet
Is there a break fee?	<p>Yes, there is a break fee. Subject to exceptions summarised in Section 9.13(5), Pulse has agreed to pay to Healthe Care \$1,200,000 (plus any GST) to compensate Healthe Care for its costs and losses in the event that:</p> <ul style="list-style-type: none"> ■ any Pulse Director changes their recommendation that Pulse Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert concluding and continuing to conclude that the Scheme is in the best interests of Pulse Shareholders; ■ a Competing Proposal is announced during the Exclusivity Period and completes within 12 months of such announcement; ■ the requisite majorities of Pulse Shareholders do not approve the Scheme, a Sante Capital Party voted against the Scheme, and within 12 months after the Scheme Meeting a Competing Proposal (except the acquisition of a Relevant Interest of less than 50% of the Pulse Shares without Pulse Board support) involving a Sante Capital Party becomes unconditional (or in the case of a scheme, effective); ■ before the Scheme Implementation Deed is terminated, any Pulse Director recommends that Pulse Shareholders accept, vote in favour of or otherwise support a Competing Proposal which is announced or made after 30 November 2016; or ■ Pulse materially breaches the Scheme Implementation Deed and the Scheme Implementation Deed is terminated. 	Details relating to the reimbursement of costs arrangements, including the circumstances in which costs are payable are summarised in Section 9.13(5) and are set out in full in clauses 11, 14 and 16 of the Scheme Implementation Deed set out in Annexure D of this Scheme Booklet

2 FREQUENTLY ASKED QUESTIONS

Questions	Answers	Where to find more information
What is the Independent Expert's conclusion?	The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of the Pulse Shareholders.	Section 7
What do the Pulse Directors recommend in relation to the Scheme?	The Pulse Directors unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders.	The reasons for the Pulse Directors' recommendation and other matters that you may wish to consider are set out in Section 4 of this Scheme Booklet
What are the intentions of the Pulse Directors in relation to the Scheme?	<p>Each of the Pulse Directors intends to vote (or procure the voting of) all Pulse Shares held or controlled by them in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders.³</p> <p>The Pulse Directors collectively hold notifiable interests (as defined in the ASX Listing Rules) in 7,521,681 Pulse Shares, representing approximately 2.93% of Pulse Shares as shown in Section 10.6.</p>	Section 4.1
What are the intentions of major Pulse Shareholders	<p>Viburnum holds Voting Power of approximately 19.29% in Pulse (comprising 49,596,514 Pulse Shares). Viburnum has informed Pulse that it intends to vote the Pulse Shares it holds at the time of the Scheme Meeting in favour of the Scheme,⁴ in the absence of a superior proposal (as determined by Viburnum acting reasonably) and subject to the Pulse Directors maintaining their unanimous recommendation to the Pulse Shareholders to vote in favour of the Scheme.</p> <p>The Pulse Directors are not aware of the voting intentions of any other persons with substantial holdings in Pulse.</p>	Section 3.5

³ Pulse Director Craig Coleman is the Executive Chairman of and owns a 20% interest in Viburnum, which holds Voting Power of approximately 19.29% in Pulse (comprising 49,596,514 Pulse Shares). The above statement of Pulse Directors' voting intentions does not relate to the Pulse Shares held by Viburnum. Please refer to Section 3.5 for details of Viburnum's voting intention.

⁴ Viburnum has not made any commitment to hold or not dispose of its current shareholding in Pulse. Its Voting Power at the time of the Scheme Meeting may be less or more than 19.29%.

2 FREQUENTLY ASKED QUESTIONS

Questions	Answers	Where to find more information
What vote is required to approve the Scheme?	<p>In order for the Scheme resolution to be passed:</p> <ul style="list-style-type: none"> ■ a majority in number (more than 50%) of Pulse Shareholders voting (whether in person, by proxy, by attorney or by corporate representative) must vote in favour of the Scheme (Headcount Test); and ■ at least 75% of the total number of votes cast on the resolution to approve the Scheme at the Scheme Meeting by Pulse Shareholders (whether in person, by attorney, by proxy or by corporate representative) entitled to vote on the resolution must be cast in favour of the Scheme. <p>If either one of these thresholds is not satisfied, the Scheme will not be approved, other than in specific circumstances where the Court has the discretion to approve the Scheme despite the Headcount Test not being satisfied.</p>	Section 9.1
Is voting compulsory?	No, voting is not compulsory. However, your vote is important in determining whether the Scheme will proceed. If you cannot attend the Scheme Meeting to be held on 22 March 2017, you should complete and return the Proxy Form enclosed with the Scheme Booklet. Your Proxy Form must be completed and received by the Pulse Share Registry by 9:30am (Sydney time) on 20 March 2017 to be valid.	Section 1.7
Why should I vote?	Your vote will be important in determining whether the Scheme will proceed. If you do not vote, but the Scheme is approved by the requisite majorities of Pulse Shareholders, the Scheme will still proceed and your Pulse Shares will be acquired by Healthe Care.	Section 1.7
What happens if I do not vote or vote against the Scheme?	If you do not vote, or vote against the Scheme, then it may not be approved and the Scheme will not proceed. If the Scheme does not proceed, the benefits outlined in Section 4.2 will not be realised and the Pulse Share price may fall.	Section 4.4

2 FREQUENTLY ASKED QUESTIONS

Questions	Answers	Where to find more information
What happens if I do not vote or vote against the Scheme?	However, even if you do not vote or vote against the Scheme, this does not mean that the Scheme will not be approved. If the Scheme is approved by the requisite majorities of Pulse Shareholders and by the Court, the Scheme will be implemented, your Pulse Shares will be transferred to Healthe Care and you will receive Scheme Consideration for your Pulse Shares regardless of whether you voted against the Scheme (or did not vote at all).	
Can I sell my Pulse Shares?	Yes, Pulse Shareholders may sell their Pulse Shares on the ASX at any time prior to the suspension of Pulse Shares from trading (should the Scheme proceed), if they do not wish to hold them and participate in the Scheme.	Section 3.15
Have I given any warranties in respect of my Pulse Shares?	<p>You should be aware that under the Scheme, you will be deemed to have warranted to Pulse and Healthe Care that:</p> <ul style="list-style-type: none"> ■ all of your Pulse Shares which you hold as at 7.00pm (Sydney time) on the Scheme Record Date (including any rights and entitlements attaching to those shares) which are transferred to Healthe Care under the Scheme will, at the date of transfer, be fully paid and free from all Encumbrances; and ■ you have full power and capacity to sell and transfer your Pulse Shares (which you hold as at 7.00pm (Sydney time) on the Scheme Record Date) to Healthe Care (including any rights and entitlements attaching to those shares) under the Scheme. <p>You should ensure that these warranties can be given by you before the Implementation Date.</p> <p>If you breach these warranties, you may be liable to pay Healthe Care any amounts paid by Healthe Care to acquire clear title to your Pulse Shares.</p>	Section 3.10
Do I have to sign anything to transfer my Pulse Shares?	No. If the Scheme is approved, Pulse will automatically have authority to sign a transfer on your behalf, and then the Scheme Consideration will be paid to you.	

2 FREQUENTLY ASKED QUESTIONS

Questions	Answers	Where to find more information
Who can help answer my questions about the Scheme?	If you have any questions, please call Pulse during business hours in Sydney on +61 2 8278 7300, or visit the Pulse website at http://www.pulsehealth.net.au/ or consult your legal, investment or other professional adviser.	
WHAT YOU WILL RECEIVE UNDER THE SCHEME		
Who is entitled to receive the Scheme Consideration?	If you are registered on the Pulse Share Register as the holder of Pulse Shares at 7.00pm (Sydney time) on the Scheme Record Date (currently proposed to be 3 April 2017), you will be a Scheme Shareholder. If the Scheme becomes Effective, as a Scheme Shareholder, your Pulse Shares at that time on the Scheme Record Date (each a Scheme Share) will be transferred to Healthe Care and you will receive the Scheme Consideration on the Implementation Date.	Section 9.4
What will I receive if the Scheme proceeds?	If the Scheme proceeds and you are a Scheme Shareholder, you will receive \$0.47 cash for each Pulse Share held at the Scheme Record Date.	Section 3.2
When will the Scheme Consideration be paid?	If you hold Pulse Shares at 7.00pm (Sydney time) on the Scheme Record Date, it is expected that Pulse will dispatch payment to you of your Scheme Consideration received from Healthe Care (or procure that to occur) on the Implementation Date.	Sections 3.2 and 9.6
How will I be paid the Scheme Consideration?	Pulse or the Pulse Share Registry will dispatch a cheque (denominated in Australian dollars and drawn on an Australian bank account) by pre-paid post to the address of each Scheme Shareholder as it appears in the Pulse Share Register, or by electronic funds transfer, for Scheme Shareholders who have nominated a bank account (used for dividend payments) to Pulse on or before the Scheme Record Date. If you are a joint holder of Scheme Shares, the Scheme Consideration will be paid via this electronic payment process or sent to the address of the joint holders or of the joint holder whose name first appears in the Pulse Share Register.	Sections 3.2 and 9.6

2 FREQUENTLY ASKED QUESTIONS

Questions	Answers	Where to find more information
What are the tax consequences of the Scheme for me?	<p>You should seek independent advice regarding the taxation consequences of transferring your Pulse Shares to Healthe Care in accordance with the Scheme.</p> <p>Section 8 of this Scheme Booklet provides a general outline of the Australian taxation consequences for Pulse Shareholders of transferring Pulse Shares to Healthe Care under the Scheme. However this is a guide only. It is not intended to provide taxation advice in respect of the particular circumstances of any Pulse Shareholder.</p>	Section 8
Will I have to pay broker fees or stamp duty in relation to the Scheme?	<p>No, you will not have to pay any broker fees or stamp duty in relation to the Scheme. However, if you elect to sell your Pulse Shares prior to the Scheme Record Date, you may incur broker fees in respect of that sale.</p>	Section 3.13

3 KEY FEATURES OF THE SCHEME

3.1 Overview

On 30 November 2016, Pulse announced the signing of an agreement for the proposed acquisition of Pulse by Healthe Care. The Transaction will be implemented by way of scheme of arrangement subject to approval by Pulse Shareholders and the Court (**Scheme**). If the Scheme becomes Effective and is implemented:

- (1) all Scheme Shareholders will receive the Scheme Consideration, being \$0.47 cash per Scheme Share; and
- (2) Healthe Care will acquire all of the Scheme Shares and consequently Pulse will become a wholly owned subsidiary of Healthe Care and will be delisted from the ASX.

3.2 What you will receive if the Scheme is implemented

If the Scheme proceeds, Scheme Shareholders will receive \$0.47 cash per Scheme Share.

Healthe Care has an obligation under the Deed Poll to procure that the Scheme Consideration for your Scheme Shares is paid into a trust account controlled by Pulse or the Pulse Share Registry, no later than the Business Day before the Implementation Date. It is anticipated that Pulse will dispatch payment of the Scheme Consideration received from Healthe Care to Scheme Shareholders (or procure that to occur) on the Implementation Date. Please refer to Section 6.3 for information in relation to Healthe Care's funding arrangements for the Scheme Consideration.

3.3 Unanimous recommendation of the Pulse Directors

The Pulse Directors unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders. The reasons for the Pulse Directors' recommendation, and other matters that you may wish to take into consideration before deciding how to vote, are set out in Section 4 of this Scheme Booklet.

3.4 Pulse Directors' voting intentions

Each of the Pulse Directors also intends to vote in favour of the Scheme in respect of the Pulse Shares held or controlled by them, in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders.⁵

3.5 Voting intentions of major Pulse Shareholders

The persons who as at 25 January 2017 (being the last practicable day before the date of this Scheme Booklet) had notified Pulse that they had substantial holdings (as defined in the Corporations Act) in Pulse Shares are described in Section 10.5.

⁵ Pulse Director Craig Coleman is the Executive Chairman of and owns a 20% interest in Viburnum, which holds Voting Power of 19.29% in Pulse (comprising 49,596,514 Pulse Shares). The above statement of Pulse Directors' voting intentions does not relate to the Pulse Shares held by Viburnum. Please refer to Section 3.5 for details of Viburnum's voting intention.

3 KEY FEATURES OF THE SCHEME

Viburnum, a funds management company based in Perth, Western Australia, holds Voting Power of approximately 19.29% in Pulse (comprising 49,596,514 Pulse Shares). Viburnum has informed Pulse that it intends to vote the Pulse Shares it holds at the time of the Scheme Meeting in favour of the Scheme⁶, in the absence of a superior proposal (as determined by Viburnum acting reasonably) and subject to the Pulse Directors maintaining their unanimous recommendation to the Pulse Shareholders to vote in favour of the Scheme.

The Pulse Directors are not aware of the voting intentions of any other persons with substantial holdings in Pulse.

3.6 Independent Expert's opinion

The Independent Expert was appointed by the Pulse Board as the independent expert to assess the merits of the Scheme on behalf of Pulse Shareholders.

In the opinion of the Independent Expert, the acquisition of Pulse Shares by Healthe Care under the Scheme is fair and reasonable and in the best interests of the Pulse Shareholders. Pulse Shareholders should read the Independent Expert's Report in its entirety. The Independent Expert's Report is set out in Section 7 of this Scheme Booklet.

3.7 Key steps to implement the Scheme and approvals required

The key steps to implementing the Scheme are:

- (1) Pulse Shareholders will vote on whether to approve the Scheme at the Scheme Meeting;
- (2) if the requisite majorities of Pulse Shareholders agree to the Scheme (see Section 9.1 of this Scheme Booklet), Pulse will apply to the Court to approve the Scheme at the Second Court Hearing (expected to be held on 24 March 2017);
- (3) if all the Conditions Precedent to the Scheme are satisfied or waived in accordance with the Scheme Implementation Deed and the Scheme, and the Court approves the Scheme, Pulse will lodge a copy of the Court order approving the Scheme with ASIC. Pulse intends that the Court order will be lodged with ASIC on the day after the Second Court Hearing (the **Effective Date**);
- (4) it is expected that suspension of trading in Pulse Shares on the ASX will occur from close of trading on the Effective Date (expected to be from 4.00pm on 27 March 2017);
- (5) no later than the Business Day before the Implementation Date, Healthe Care will provide Pulse (as trustee for the Scheme Shareholders) the Scheme Consideration payable in respect of all existing Pulse Shares (or procure that to occur);
- (6) on the Implementation Date, all existing Pulse Shares will be transferred from Scheme Shareholders to Healthe Care; and
- (7) on the Implementation Date, Pulse will pay (or procure the payment of) the Scheme Consideration

⁶ Viburnum has not made any commitment to hold or not dispose of its current shareholding in Pulse. Its Voting Power at the time of the Scheme Meeting may be less or more than 19.29%.

3 KEY FEATURES OF THE SCHEME

received from Healthe Care to Scheme Shareholders by dispatching cheques or making direct deposits into nominated bank accounts used for dividend payments.

Section 9 of this Scheme Booklet contains more detailed information about the implementation of the Scheme, including information on the approvals required for the Scheme to proceed.

3.8 Conditions Precedent

The implementation of the Scheme is subject to a number of Conditions Precedent. In summary, the Conditions Precedent which must be satisfied or waived are:

(1) *Regulatory approvals*

Before 8.00am on the Second Court Date, Healthe Care receives:

- (a) informal merger clearance from the ACCC to the effect that ACCC does not propose to intervene or seek to prevent the acquisition of Pulse Shares by Healthe Care; and
- (b) from NZ OIO any approval required under the New Zealand Overseas Investment Act 2005 and its regulations in respect of the acquisition of Pulse Shares by Healthe Care,

and neither that clearance nor that approval has been withdrawn, revoked or adversely amended before 8.00am on the Second Court Date.

As at the date of lodgement of this Scheme Booklet with ASIC for registration, Healthe Care has applied for all of the regulatory approvals, consents or relief which they consider are necessary or desirable for the purposes of implementing the Scheme, being the ACCC informal merger clearance and NZ OIO approval described above. Healthe Care's NZ OIO application has been accepted for processing by the NZ OIO and at the date of this Scheme Booklet, the application is in the full review and assessment phase. The ACCC informal merger clearance application is being considered by the ACCC, which involves a public consultation process which is anticipated to result in an ACCC decision by around 16 March 2016.

(2) *Pulse Shareholder approval*

Pulse Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act.

(3) *Independent Expert*

The Independent Expert concludes that the Scheme is in the best interest of Pulse Shareholders and the Independent Expert does not change or withdraw its recommendation prior to 5.00pm on the day before the Second Court Date.

3 KEY FEATURES OF THE SCHEME

(4) Court approval

The Court approves the Scheme in accordance with Section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Pulse and Healthe Care.

(5) Court order lodged with ASIC

The Scheme becoming Effective by the End Date or such later date as Healthe Care and Pulse agree.

(6) No Prescribed Event

No Prescribed Event occurs between (and including) 30 November 2016 and 8.00am on the Second Court Date.

(7) No Material Adverse Change

No Material Adverse Change occurs between (and including) 30 November 2016 and 8.00am on the Second Court Date.

(8) Restraints:

No law, rule, regulation, restraining order, preliminary or permanent injunction or other legally binding order issued by any court of competent jurisdiction or Governmental Agency preventing or restraining implementation of the Transaction is in effect as at 8.00am on the Second Court Date.

(9) Further Court conditions

The satisfaction or waiver of such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Healthe Care and Pulse (each acting reasonably).

(10) No termination

As at 8.00am on the Second Court Date, the Scheme Implementation Deed and Deed Poll having not been terminated.

The termination provisions of the Scheme Implementation Deed, are summarised in Section 9.13(4) and the full Deed Poll and Scheme Implementation Deed are set out respectively in Annexure A and Annexure D of this Scheme Booklet.

3 KEY FEATURES OF THE SCHEME

3.9 Exclusivity arrangements

Pulse has agreed to certain exclusivity arrangements in the Scheme Implementation Deed. These arrangements are summarised in Section 9.13(6) and set out in full in clause 9 of the Scheme Implementation Deed in Annexure D of this Scheme Booklet.

3.10 Warranty by Pulse Shareholders about their Pulse Shares

Under the Scheme, each Scheme Shareholder is taken to have warranted to Pulse and Healthe Care that:

- (1) all their Pulse Shares which they hold as at the Scheme Record Date (including any rights and entitlements attaching to those shares) which are transferred to Healthe Care under the Scheme will, at the date of transfer, be fully paid and free from all Encumbrances; and
- (2) they have full power and capacity to sell and transfer their Scheme Shares to Healthe Care (including any rights and entitlements attaching to those shares) under the Scheme.

Under the Scheme, Pulse undertakes that it will provide such warranty to Healthe Care as agent and attorney of each Scheme Shareholder.

If the warranty is breached, Scheme Shareholders may be liable to pay Healthe Care any amount paid by Healthe Care to acquire clear title to the Pulse Shares.

3.11 Reimbursement of Costs

Pulse has agreed that in certain circumstances where the Scheme does not proceed, Pulse will compensate Healthe Care for certain costs and losses. These arrangements are summarised in Section 9.13(5) and set out in full in clauses 11, 14 and 16 of the Scheme Implementation Deed set out in Annexure D of this Scheme Booklet.

3.12 Australian taxation implications

Section 8 of this Scheme Booklet contains a general overview of the Australian taxation consequences for Pulse Shareholders in relation to the transfer of Pulse Shares to Healthe Care in accordance with the Scheme. Section 8 of this Scheme Booklet is expressed in general terms and is intended as a guide only. It is not intended to provide taxation advice in respect of the particular circumstances of any Pulse Shareholder. Pulse Shareholders should seek advice from their own tax advisers having regard to their own particular circumstances.

3.13 No stamp duty or brokerage fees

Pulse does not expect that any stamp duty will be payable on the transfer of the Pulse Shares to Healthe Care in accordance with the Scheme. However, if any stamp duty is payable, Healthe Care is required under the Scheme to pay that duty.

3 KEY FEATURES OF THE SCHEME

3.14 If the Scheme does not proceed

If the Scheme does not proceed, Pulse Shareholders will not receive the Scheme Consideration.

Pulse Shareholders will retain their Pulse Shares and Pulse will continue to operate in its current structure, as a stand-alone entity listed on the ASX. It is expected that Pulse would continue to focus on its current business model and strategy in the event that the Scheme does not proceed. If the Scheme does not become Effective, in FY2017 Pulse intends to focus on the consolidation of recent acquisitions, continued development of the Gold Coast Surgical Hospital and revenue generating and efficiency initiatives, particularly focused on the rehabilitation hospitals. Pulse remains committed to its development and acquisition led growth strategy.

Prior to implementation of the Scheme, transaction costs will have been incurred, or will be committed, by Pulse in relation to the Scheme. Those transaction costs will be payable by Pulse regardless of whether or not the Scheme becomes Effective and is implemented.

As at the date of this Scheme Booklet, no Superior Proposal has been received by Pulse. It is possible but unlikely that a Superior Proposal will be forthcoming prior to implementation of the Scheme.

In the absence of a Superior Proposal and in the event that the Scheme is unsuccessful, Pulse's share price is likely to trade below \$0.47 per Pulse Share, at least in the short term, due to the failure of the Scheme (consistent with the portfolio nature of individual shareholdings).

The Independent Expert states the following at page 4 of the Independent Expert's Report: "If the Proposed Transaction is not approved, it is likely that Pulse shares would trade at a price below the offer price of \$0.47 per Pulse Share, at least in the short term".

3.15 Pulse Shareholders may sell their Pulse Shares on the ASX at any time prior to the suspension of Pulse Shares from trading

You should take into account that at any time prior to the suspension of Pulse Shares from trading, you may sell your Pulse Shares on the ASX if you do not wish to hold them and participate in the Scheme. It is expected that suspension of trading in Pulse Shares on the ASX will occur from close of trading on 27 March 2017.

4 MATTERS YOU SHOULD CONSIDER BEFORE VOTING ON THE SCHEME

4.1 Unanimous recommendation of the Pulse Directors

Each of the Pulse Directors recommends that Pulse Shareholders vote in favour of the Scheme at the Scheme Meeting, and intends to vote in favour of the Scheme (in respect of their holdings) in each case in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders.⁷

The Pulse Directors believe that the Scheme is in the best interests of Pulse Shareholders and will allow Pulse Shareholders the opportunity to realise their investment in Pulse for cash at a significant premium to the Pulse Share price prior to the Announcement Date.

In making their recommendation, the Pulse Directors have considered the advantages of the Scheme, as set out in Section 4.2 and in the Independent Expert's Report, the possible disadvantages of the Scheme, as set out in Section 4.3 and in the Independent Expert's Report, and other relevant considerations as set out in Section 4.4.

4.2 Reasons to vote in favour of the Scheme

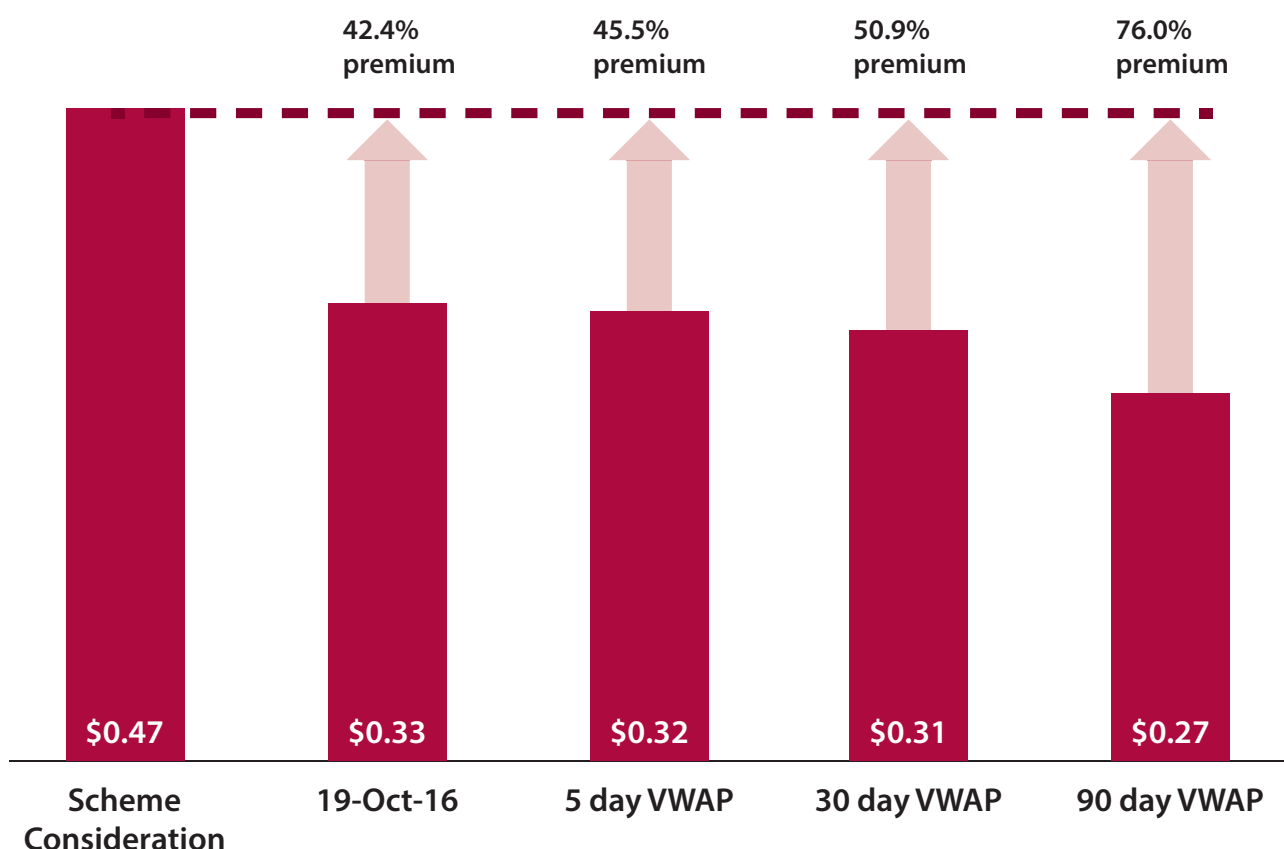
(1) The Scheme Consideration represents a significant premium to recent Pulse Share prices

The consideration of \$0.47 per Pulse Share represents a premium of:

- (a) 42.4% to the closing price of \$0.330 per Pulse Share on 19 October 2016 (the trading day prior to the Announcement Date);
- (b) 45.5% to the volume weighted average price of \$0.323 per Pulse Share for the 5 trading days up to and including 19 October 2016;
- (c) 50.9% to the volume weighted average price of \$0.311 per Pulse Share for the 30 trading days up to and including 19 October 2016; and
- (d) 76.0% to the volume weighted average price of \$0.267 per Pulse Share for the 90 trading days up to and including 19 October 2016.

⁷ Pulse Director Craig Coleman is the Executive Chairman of and owns a 20% interest in Viburnum, which holds Voting Power of 19.29% in Pulse (comprising 49,596,514 Pulse Shares). The above statement of Pulse Directors' voting intentions does not relate to the Pulse Shares held by Viburnum. Please refer to Section 3.5 for details of Viburnum's voting intention.

4 MATTERS YOU SHOULD CONSIDER BEFORE VOTING ON THE SCHEME



(2) *The Independent Expert has concluded that the acquisition of Pulse Shares by Healthe Care under the Scheme is fair and reasonable and in the best interests of Pulse Shareholders*

The Independent Expert has assessed the fair market value of a Pulse Share to be \$0.41 to \$0.47.

The Independent Expert, in the Independent Expert's Report, has determined that the Scheme Consideration of \$0.47 per Pulse Share is "within the assessed range" of its estimate of fair market value.

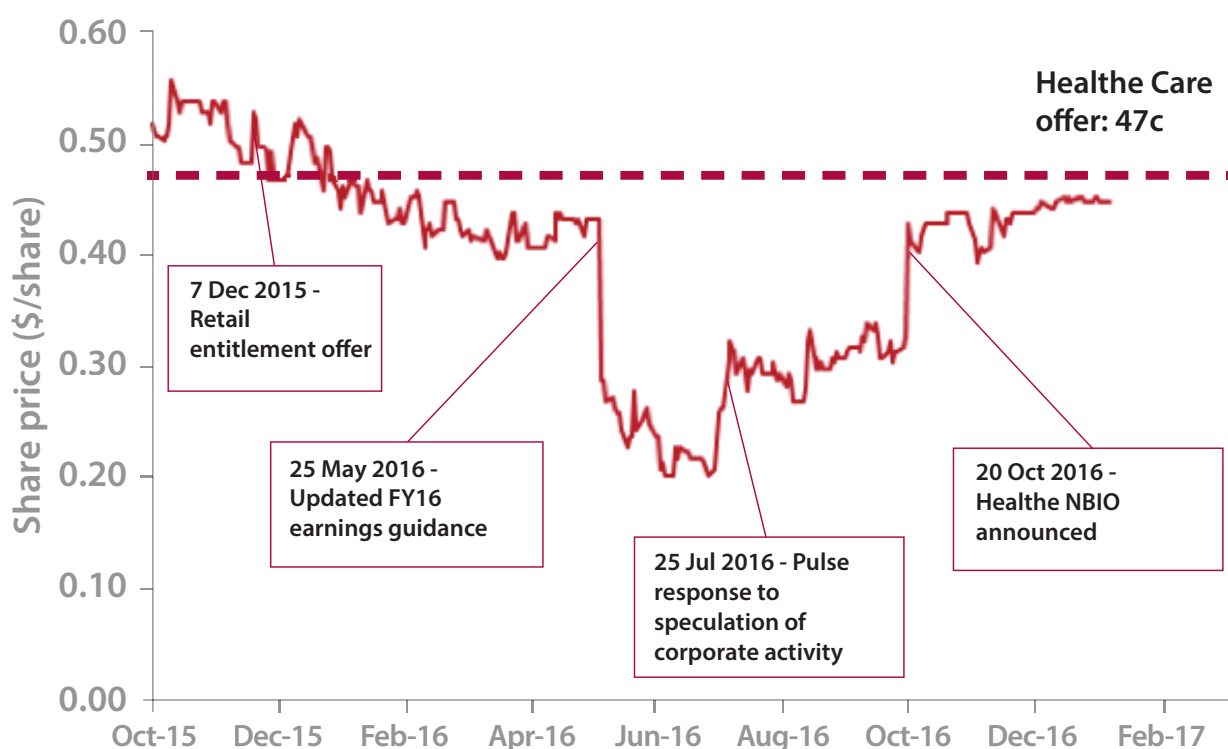
The Independent Expert has concluded that the Scheme is fair and reasonable and is in the best interests of Pulse Shareholders.

The Independent Expert's Report is set out in Section 7 of this Scheme Booklet. You should read the Independent Expert's Report in its entirety as part of your assessment of the Transaction and before voting in favour of the Scheme.

(3) *The price of Pulse Shares may fall if the Scheme does not proceed*

If the Scheme is not approved and if no Superior Proposal emerges, the Pulse Directors consider that it is likely that the price of Pulse Shares may fall below current trading levels.

4 MATTERS YOU SHOULD CONSIDER BEFORE VOTING ON THE SCHEME



On 25 May 2016, the Pulse Share price declined significantly on the ASX to \$0.29 per Pulse Share from a close of \$0.44 on 24 May 2016. This decline coincided with updated earnings guidance issued by Pulse on 25 May 2016 which revised down expected underlying EBITDA⁸ for FY2016 from \$10.2 million to \$8.0 million - \$9.2 million. After 25 May 2016, the Pulse Share price continued to decline to a low of \$0.205 on 24 June 2016. The Pulse Share price rose following news reported around the speculation of corporate activity and the announcement of Pulse receiving confidential, highly conditional, indicative proposals and expressions of interest from other parties in relation to the acquisition of control of Pulse on 25 July 2016. The Pulse Share price again rose sharply following the announcement of Healthe Care's non-binding indicative proposal on 20 October 2016.

Your Pulse Directors believe that if the Scheme is not implemented and no Superior Proposal emerges, the Pulse Share price is likely to trade at levels below the price at which it has traded since the announcement of Healthe Care's non-binding indicative proposal in relation to the Scheme on 20 October 2016.

The Independent Expert states the following at page 4 of the Independent Expert's Report: "If the Proposed Transaction is not approved, it is likely that Pulse shares would trade at a price below the offer price of \$0.47 per Pulse Share, at least in the short term".

Please also refer to the non-exhaustive summary of risk factors relevant to Pulse Shares in Section 5.9.

⁸ Excluding ramp-up costs associated with the Gold Coast Surgical Hospital, one-off costs associated with execution of Pulse's then acquisition pipeline and contributions from assets acquired in FY2016.

4 MATTERS YOU SHOULD CONSIDER BEFORE VOTING ON THE SCHEME

(4) *Pulse Shareholders will receive certain and immediate value for their Pulse Shares*

The Scheme Consideration of \$0.47 cash per Pulse Share provides Pulse Shareholders with certainty of value for their Pulse Shares, should the Scheme proceed.

In particular, the certainty of \$0.47 cash per Pulse Share should be weighed up in comparison with the risks and uncertainty which Pulse may face, should the Scheme not proceed, which could affect the future trading price of Pulse Shares, as discussed in Section 3.14.

(5) *No brokerage or stamp duty will be payable on the transfer of your Pulse Shares*

You will not incur any brokerage or stamp duty on the transfer of your Pulse Shares to Healthe Care in accordance with the Scheme.

(6) *No Superior Proposal has emerged*

Since the Announcement Date, no Superior Proposal has emerged. Prior to the Announcement Date, Pulse held discussions with other potential bidders and no Superior Proposal was offered. The Pulse Board is not aware of any Superior Proposal that is likely to emerge.

4.3 Possible reasons why you may consider voting against the Scheme

(1) *You might consider that Healthe Care's offer undervalues the Pulse Shares and disagree with the recommendation of the Pulse Directors and the conclusion of the Independent Expert*

In giving their recommendation to Pulse Shareholders to vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders, the Pulse Directors have had regard to the reasons set out in Section 4.2 of this Scheme Booklet.

As set out in Section 4.2(2), the Independent Expert has concluded that the acquisition of Pulse Shares by Healthe Care under the Scheme is fair and reasonable and in the best interests of the Pulse Shareholders. However, you may hold a different view and you are not obliged to follow the recommendation of the Pulse Directors. You may consider that Healthe Care's offer does not appropriately reflect the true value of Pulse Shares, particularly having regard to the medium to long term prospects of Pulse's business and the benefits to Healthe Care of obtaining 100% control. The Pulse Directors encourage you to read the Independent Expert's Report, set out in Section 7 of this Scheme Booklet, in its entirety.

(2) *Tax consequences*

There are possible tax consequences for Pulse Shareholders arising out of the Scheme in relation to the disposal of their Pulse Shares to Healthe Care and these may not suit your financial circumstances. A general guide to the Australian taxation implications of the Scheme is set out in Section 8 of this Scheme Booklet. This guide is expressed in general terms and individual Pulse Shareholders should seek their own taxation advice.

4 MATTERS YOU SHOULD CONSIDER BEFORE VOTING ON THE SCHEME

(3) *You may believe it is in your best interests to maintain your current investment and risk profile*

You may wish to keep your Pulse Shares as you may want to preserve your investment in a company with the specific characteristics of Pulse. In particular, you may consider that, despite the risk factors relevant to Pulse's potential future operations (including those set out in Section 5.9), Pulse may be able to return greater value from its assets by retaining its current ownership structure or seeking alternative commercialisation strategies.

(4) *You will no longer be a shareholder of Pulse*

If the Scheme is implemented, Scheme Shareholders will no longer be shareholders of Pulse and will not participate in any potential upside that may arise from being a shareholder of Pulse.

(5) *A Superior Proposal could emerge*

Pulse Shareholders may consider that there is a potential for a Superior Proposal to emerge before the Scheme Meeting. If an alternative proposal does arise, this will be announced to the ASX and the Pulse Directors will carefully consider the alternative proposal and advise you of their recommendation.

4.4 OTHER RELEVANT CONSIDERATIONS

(1) *Implications of a failure to approve the Scheme*

If the Scheme is not approved by Pulse Shareholders or the Court, Pulse Shareholders will retain their Pulse Shares. In the absence of a Superior Proposal, the trading price for Pulse Shares may rise or fall.

(2) *The Scheme may be implemented even if you vote against it*

Even if you do not vote, or vote against the resolution to approve the Scheme, the Scheme may still proceed if it is agreed to by the requisite majorities of Pulse Shareholders and the Court (set out in more detail in Section 9 of this Scheme Booklet). If the Scheme is implemented, your Pulse Shares will be transferred to Health Care and you will receive the Scheme Consideration despite the fact you did not vote on, or you voted against the resolution to approve the Scheme.

(3) *Conditionality of the Scheme*

You will find the Conditions Precedent of the Scheme summarised in Section 3.8 and Section 9.13(2) of this Scheme Booklet.

5 PROFILE OF PULSE

5.1 Introduction

Pulse is an ASX-listed private hospital operator with a niche focus on specialist hospitals, including rehabilitation, surgery and mental health, and day surgeries. This Section 5 provides a high level overview of the Pulse Group, its business, key personnel, risk factors and recent historical financial information.

Additional information about Pulse is included in the Independent Expert's Report in Section 7 of this Scheme Booklet and in Pulse's FY2016 Annual Report, which is available from the Pulse website at: <http://www.pulsehealth.net.au/investor-information>.

5.2 Corporate structure

The diagram below sets out the material companies within the corporate structure of the Pulse Group. All subsidiaries in the corporate structure diagram below are wholly owned:

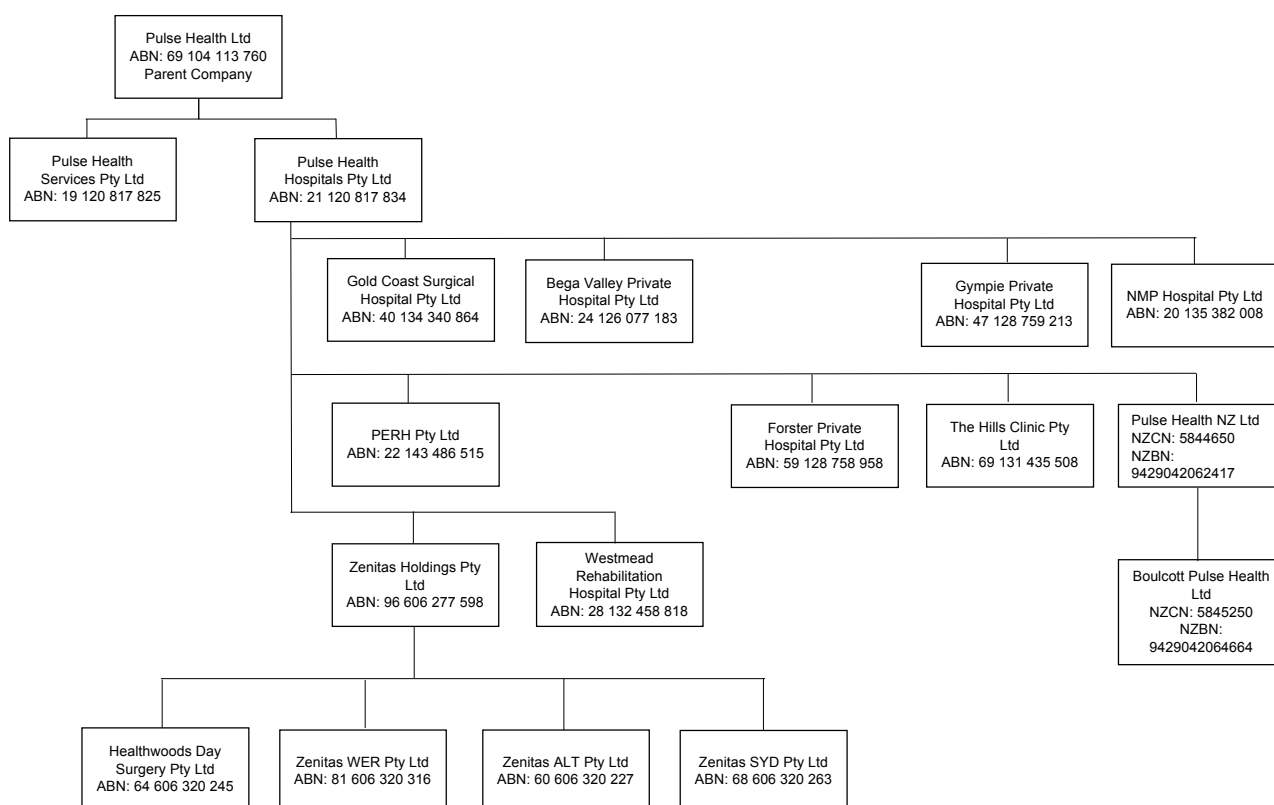


Figure 5.1: Pulse Group Corporate Structure Diagram

5 PROFILE OF PULSE

5.3 Pulse's businesses

Pulse is a private hospital operator growing through acquisition or development of niche, specialist private hospitals or day surgeries. Pulse currently operates a network of eight hospitals and five day surgeries across New South Wales, Queensland, Victoria and New Zealand.

Pulse has continued executing its growth strategy through brownfield expansion, greenfield expansion and acquisitions. Notable recent projects include the greenfield development of the Gold Coast Surgical Hospital commissioned in August 2015, the acquisition of Healthwoods Specialist Centre in January 2016, the acquisition of three day surgeries comprising Hobson Healthcare in Melbourne in February 2016 and the acquisition of Boulcott Hospital in New Zealand in July 2016. The immediate focus of the Pulse management team is on integration of these newly acquired hospitals and day surgeries, as well as the development of additional revenue streams for its rehabilitation hospitals and the ongoing ramp-up of the Gold Coast Surgical Hospital.

Pulse has a strategy of transitioning from a revenue base strongly concentrated around rehabilitation hospitals and regional acute hospitals to a more diversified revenue base and metro business concentration. The percentage of rehabilitation revenue has declined from 61% in FY2014, to 57% in FY2015 and 46% in FY2016. Furthermore, a number of specific business development initiatives are in place to drive revenue growth, including the recruitment of additional doctors across all sites, the establishment of new programmes at the rehabilitation hospitals, and the development of new services in partnership with doctors, at Gold Coast Surgical Hospital.

The map below outlines the locations of Pulse's operations:

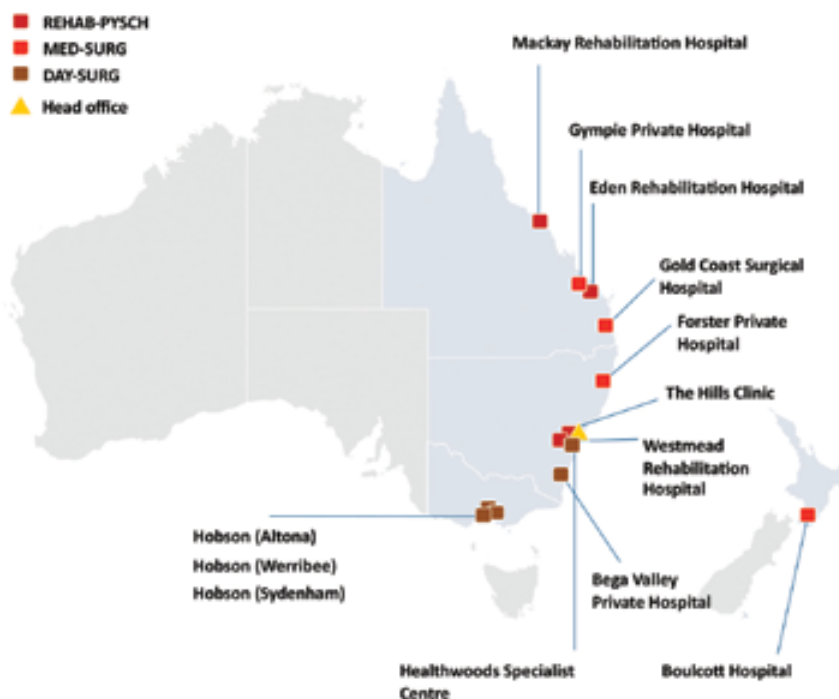


Figure 5.2: Pulse Facilities Network

5 PROFILE OF PULSE

The following summarises each of the facilities:

Rehabilitation and Mental Health Assets

Westmead Rehabilitation Hospital

- Specialist rehabilitation
 - 65 beds, hydrotherapy pool, gymnasium
 - Attractive location 3km west of Parramatta
 - 5 bed brownfield expansion completed in April 2014
-

The Hills Clinic

- Mental health
 - 59 beds, 7 consulting rooms
 - Provides inpatient and day patient mental health programs
 - Specialises in treating mood and anxiety, addiction and depression related issues
 - Brownfield expansion plans are being progressed
 - Attractive location in a growth area (North-West Sydney)
-

Eden Rehabilitation Hospital (Cooroy/Noosa)

- Specialist rehabilitation
 - 48 beds, extensive gymnasium
 - Located 20 minutes from Noosa and 45 minutes from Gympie
-

Mackay Rehabilitation Hospital

- Specialist rehabilitation
 - 34 beds, gymnasium, hydrotherapy pool
 - Only specialist rehabilitation hospital in greater region
 - Facility fully refurbished and commissioned in February 2014
-

5 PROFILE OF PULSE

Medical Surgical Assets

Forster Private Hospital

- Acute surgical, medical and rehabilitation
 - 69 beds, 2 theatres, hydrotherapy pool, gymnasium
 - Only hospital in the Great Lakes local government area
 - Site has brownfield potential as demand grows
-

Gympie Private Hospital

- Acute surgical and medical
 - 40 beds (12 configured as day surgeries), 2 theatres
 - Surgical based hospital
-

Boulcott Surgical Hospital

- Specialist surgical
 - Acquired on 1 July 2016
 - 29 beds, 4 theatres, 9 bed day-suite
 - Only private hospital in Hutt Valley, co-located with the 300-bed public Hutt Hospital
 - Expect revenue and margin growth in FY2017, through increased theatre utilisation and synergies
-

Gold Coast Surgical Hospital

- 6 theatres, 24 inpatient ward, 16 chair day surgery unit
 - Opened on 31 August 2015
 - Advanced technology theatres
 - Ramp-up continues – losses reducing month on month throughout FY2017, except for periods of high surgeon absence
-

5 PROFILE OF PULSE

Day Surgery Assets

Bega Valley Private Hospital

- Day surgery centre
 - Single theatre
 - Only private surgical facility in region
 - Local demand for development of a private inpatient surgical facility
-

Healthwoods Specialists Centre

- Day surgery centre
 - 2 theatres
 - Specialised endoscopy centre in Western suburbs of Sydney
-

Altona Endoscopy Centre (Hobson Healthcare)

- Day surgery centre
 - Single theatre
-

Sydenham Day Surgery (Hobson Healthcare)

- Day surgery centre
 - 2 theatres
-

Werribee Endoscopy Centre (Hobson Healthcare)

- Day surgery centre
- 2 theatres
- Second theatre yet to be commissioned

5 PROFILE OF PULSE

5.4 Board of Directors and senior managers of Pulse

Information on each of the Pulse Directors and senior managers is set out below:

Mr Stuart James (Independent Chairman and Non-Executive Director) BA (Hons), MAICD, FAIM

- Pulse Director Since 2007
- Member of Audit and Risk Committee
- Member of Remuneration Committee

Mr James is an experienced executive within the financial and healthcare sectors. Mr James' past roles have included Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formerly the State Bank of N.S.W). Mr James has also held the executive role as CEO of the Mayne Group from January 2002 to January 2005. Prior to that, Mr James was Mayne's Chief Operating Officer from July 2000 to January 2002.

Other current directorships:

- Greencross Limited (ASX:GXL)

Previous directorships (last 3 years):

- Phosphagenics Ltd
 - Wolters Kluwer NV
 - Affinity Education Group Ltd (ASX:AFJ)
 - Prime Financial Group Limited (ASX:PFG)
-

5 PROFILE OF PULSE

Mr Craig Coleman (Non-Executive Director)

Bcom

- Pulse Director since 2010
- Chair of Audit and Risk Committee
- Chair of Remuneration Committee

Mr Coleman is the executive chairman of Viburnum, a funds management company based in Perth, Western Australia. He is a former Managing Director of Home Building Society Limited. Prior to joining Home Building Society, Mr Coleman held a number of senior executive positions and directorships with ANZ including Managing Director Banking Products, Managing Director Wealth Management and Non-Executive Director of E*Trade Australia Limited.

Other current directorships:

- Bell Financial Group Limited (ASX:BFG)
- Rubik Financial Limited (ASX:RFL)
- Universal Biosensors Inc. (ASX:UBI)

Previous directorships (last 3 years):

- Amcom Telecommunications Limited (ASX:AMM)
- Lonestar Resources Limited (ASX:LNR)
- Keybridge Capital Limited (ASX:KBC)

Mr David L. Manning (Non-Executive Director)

MIE

- Pulse Director since 2015
- Member of Audit and Risk Committee
- Member of Remuneration Committee

Mr Manning is an experienced healthcare leader in the surgery centre sector. David was previously Executive Vice President and Chief Operating Office of Baptist Hospital, a 750 bed facility located in Nashville, Tennessee. Mr Manning is the co-founder of Practice Development Associates in the US, which constructed over 75 new surgery centres. Practice Development Associates grew to become AmSurg Corp, now an approximately US\$3.4 billion NASDAQ listed company operating more than 248 day surgery centres across the US. Until his retirement in December 2014, Mr Manning held the role of Executive Vice President and Chief Development Officer at AmSurg Corp.

Other current directorships: None

Previous directorships (last 3 years): None

5 PROFILE OF PULSE

Ms Phillipa Blakey (Managing Director and CEO) **MBA (Exec.), GAICD, MAICD**

- Pulse Director since 2014

Ms Blakey has been Pulse Health Group CEO since June 2013 and was appointed Managing Director in May 2014.

As an experienced healthcare executive, she has held COO roles in NSW Health (10 hospitals across North Sydney and Central Coast) and the Amity Group (48 for-profit nursing homes, CVC owned and then sold to Bupa). Most recently, Ms Blakey was CEO and director of Think Education Pty Ltd, the private higher education provider previously owned by SEEK Group.

Other current directorships: None

Previous directorships (last 3 years):

- Bairo Pite Hospital (Australia) Ltd
-

Mr Mark Hays (CFO)

Mr Hays has held senior finance positions in privately held companies across the hospitality, property and finance sectors. Prior to joining Pulse, Mr Hays held a dual CFO/Investment Director role working with investments of Viburnum in Perth, Western Australia. Mr Hays is a chartered accountant and started his professional career at Ernst & Young providing taxation, accounting and business advisory services to large privately owned Western Australian companies.

Mr Matthew Mackay (COO)

Mr Mackay has held senior management positions in public, private and military health facilities / hospitals over the past 17 years. Prior to joining Pulse, Mr Mackay's most recent executive role was as General Manager / Director of Clinical Services for Surgery Centres of Australia. Mr Mackay has previously held senior management positions within Macquarie Health Services, Healthscope, NSW Department of Health and The Sydney Private Hospital. Mr Mackay was also a Captain in the Australian Army and has had multiple operational deployments in command positions to both Afghanistan and Timor.

Mr David Franks (Company Secretary)

Mr Franks is a chartered accountant and experienced company secretary. Mr Franks is currently company secretary of the following public companies: Armidale Investment Corporation Limited, Amerod Exploration Limited, ELK Petroleum Limited, Jcurve Solutions Limited, Noxopharm Limited, Pulse Health Limited, Tomorrow Entertainment Limited, White Energy Technology Limited and White Energy Company Limited. Mr Franks is also a non-executive director of Jcurve Solutions Limited.

5 PROFILE OF PULSE

5.5 Pulse Share price performance

The closing price of Pulse Shares on 25 January 2017, being the last practicable day prior to the date of this Scheme Booklet was \$0.45. The graph below shows the volume weighted average share price of Pulse Shares in the 12 months prior to announcement of the non-binding, indicative proposal from Healthe Care in relation to the Scheme, being from 19 October 2015 to 19 October 2016. The closing price per Pulse Share immediately before announcement of the non-binding, indicative proposal from Healthe Care in relation to the Scheme was \$0.33.



The highest, lowest and last market sale prices of the Pulse Shares quoted on the ASX during the twelve months preceding 25 January 2017 being the last practicable date before the date of this Scheme Booklet and the respective dates of those sales were as follows. Pulse Shareholders are cautioned that historical share trading prices are no guide as to future prices and the Pulse Directors make no forecast of future Pulse Share prices or volumes.

	Date(s)	Price
Highest	25 January 2016 and 1 February 2016	\$0.47
Lowest	24 June 2016, 27-28 June 2016 and 15 July 2016	\$0.205
Last	25 January 2017	\$0.45

5 PROFILE OF PULSE

5.6 Historical financial information

The financial information set out below has been extracted from Pulse's audited financial statements for the full year ended 30 June 2015 and 30 June 2016.

Pulse's full financial accounts including all notes to the accounts can be found in Pulse's:

- Annual Report for the year ended 30 June 2016 (released to the ASX on 31 August 2016 and again with slight modifications on 7 October 2016); and
- Annual Report for the year ending 30 June 2015 (released to the ASX on 31 August 2015).

Copies of these reports are available on the investor information section of Pulse's website, <http://www.pulsehealth.net.au/investor-information> or will be provided free of charge, along with Pulse's constitution and ASX announcements, upon request.

Pulse's Annual Report for the full year ended 30 June 2016 and Annual Report for the full year ended 30 June 2015 were audited in accordance with applicable Australian auditing standards. The audit opinions relating to those financial reports were unqualified.

The financial information set out in this Section 5.6 is in abbreviated form and does not contain all the information usually provided in an annual report prepared in accordance with the Corporations Act. Please refer to the Independent Expert's Report in Section 7 for further financial information in relation to Pulse Group.

Pulse's dividend payments for the past three years are detailed in the table below, part of which has been reinvested via Pulse's dividend reinvestment plan.

	Payment Date	Total Amount (\$)	Amount per Pulse Share (\$)
FY2016 Final Dividend	N/A	Nil	Nil
FY2016 Interim Dividend	1 Apr 2016	777,000	0.003
FY2015 Final Dividend	2 Oct 2015	493,000	0.003
FY2015 Interim Dividend	1 Apr 2015	492,000	0.003
FY2014 Final Dividend	3 Oct 2014	819,000	0.005
FY2014 Interim Dividend	N/A	Nil	Nil

If the Scheme does not become Effective, subject to the availability of earnings (which is not guaranteed), the Pulse Board proposes to continue Pulse's previous practice of aiming to pay dividends while seeking to maintain a growth program to provide both yield and capital gains to investors. However, that may not occur, for example as shown by the absence of a final dividend for FY2016.

This intention is also subject to ongoing review of the circumstances of Pulse at the relevant time for the Pulse Board to determine whether to declare any future dividends and no final decisions or declarations in relation to future periods have been made at the date of this Scheme Booklet.

5 PROFILE OF PULSE

(1) Consolidated statement of financial position

Below is a summary of Pulse's consolidated statement of financial position as at 30 June 2015 and 30 June 2016:

Amount in \$000's	Year Ended 30 June 2016	Year Ended 30 June 2015
Current Assets		
Cash and cash equivalents	16,648	3,491
Trade and other receivables	12,904	17,878
Inventories	1,352	721
Current tax assets	398	-
Total Current Assets	31,302	22,090
Non-Current Assets		
Property, plant and equipment	23,560	10,824
Deferred tax assets	3,716	2,148
Intangible assets	81,928	61,037
Total Non-Current Assets	109,204	74,009
Total Assets	140,506	96,099
Current Liabilities		
Trade and other payables	10,471	7,707
Employee benefit liability	3,609	2,945
Borrowings	822	90
Current tax liability	-	1,180
Other liabilities	1,872	2,447
Total Current liabilities	16,774	14,369
Non-Current Liabilities		
Borrowings	29,374	24,021
Deferred tax liabilities	44	50
Employee benefit liability	527	558
Other liabilities	3,736	3,653
Total Non-Current Liabilities	33,681	28,282
Total Liabilities	50,455	42,651
Net Assets	90,051	53,448
Equity		
Contributed equity	98,046	56,402
Share based payment reserve	271	170
Accumulated losses	(8,266)	(3,124)
Total Equity	90,051	53,448

5 PROFILE OF PULSE

(2) Consolidated statement of comprehensive income

Below is a summary of Pulse's consolidated income statements for the full years ended 30 June 2015 and 30 June 2016:

Amount in \$000's	Year Ended 30 June 2016	Year Ended 30 June 2015
Revenue	72,384	56,268
Other income	1,039	1,297
Total Revenue	73,423	57,565
Expenses		
Employee benefits expense	(39,775)	(30,698)
Occupancy expenses	(10,973)	(5,737)
Medical consumables and supplies	(9,203)	(5,517)
Medical contractors	(2,536)	(2,092)
Professional fees	(313)	(306)
Other expenses	(6,743)	(5,180)
Financing costs	(1,374)	(142)
Acquisition, development and integration costs	(5,148)	(1,681)
Depreciation and amortisation expense	(2,268)	(1,000)
Loss from continuing operations before income tax	(4,910)	5,212
Income tax benefit/(expense)	1,045	(1,618)
Loss from continuing operations after income tax	(3,865)	3,594
Loss from discontinued operations	-	(1,047)
Loss for the year attributable to owners of Pulse	(3,865)	2,547
Total comprehensive income/(loss) attributable to owners of Pulse	(3,865)	2,547
Total comprehensive income/(loss) for the year attributable to ordinary equity holders of Pulse:		
From continuing operations	(3,865)	3,594
From discontinued operations	-	(1,047)
Total	(3,865)	2,547
Earnings per share attributable to ordinary equity holders of the parent – Basic earnings per share (cents per share)	2016	2015
	Per Pulse Share	Per Pulse Share
From continuing operations	(1.82)	2.19
From discontinued operations	-	(0.64)
Earnings per share attributable to ordinary equity holders of the parent – Diluted earnings per share (cents per share)	2016	2015
	Per Pulse Share	Per Pulse Share
From continuing operations	(1.82)	2.18
From discontinued operations	-	(0.63)

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(3) Consolidated statement of cash flows

Below is a summary of Pulse's consolidated cash flow statements for the full years ended 30 June 2015 and 30 June 2016:

Amount in \$000's	Year Ended 30 June 2016	Year Ended 30 June 2015
Cash flows from operating activities		
Receipts from customers (incl. GST)	71,034	59,116
Payments to suppliers and employees (incl. GST)	(67,558)	(53,985)
Interest paid	(1,306)	(142)
Income tax paid	(1,578)	(267)
Transaction costs relating to acquisition of businesses	(5,148)	(1,253)
Net cash flow (outflow) from operating activities	(4,556)	3,469
Cash flow from investing activities		
Payments of deferred consideration	(2,176)	-
Payments for purchase of businesses (net of cash)	(18,611)	(27,700)
Proceeds from sale of subsidiary	-	375
Payments for plant and equipment	(11,926)	(2,412)
Proceeds from sale of property, plant and equipment	6,830	-
Payments for other intangible asset	(40)	-
Interest received	238	130
Net cash outflow from investing activities	(25,685)	(29,607)
Cash flows from financing activities		
Proceeds from the issue of shares	43,773	181
Share issue costs	(2,561)	(11)
Dividends paid	(1,277)	(1,318)
Proceeds from borrowings	3,950	24,000
Repayment of borrowings	(415)	(90)
Payment of borrowing costs	(72)	(140)
Net cash inflow from financing activities	43,398	22,622
Net increase / (decrease) in cash and cash equivalents	13,157	(3,516)
Cash and cash equivalents at the beginning of the financial year	3,491	7,007
Cash and cash equivalents at the end of the financial year	16,648	3,491

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5.7 Recent Pulse announcements

The table below sets out the material ASX announcements which Pulse has made, or which have been released on the ASX Market Announcements Platform in relation to Pulse, since 30 June 2016:

Date	Announcement
3 January 2017	Change of Director's Interest Notice - P Blakey
3 January 2017	Appendix 3B
21 December 2016	Details of Company Phone and Fax Numbers
7 December 2016	Ceasing to be a substantial holder from IFL
30 November 2016	Results of Meeting
30 November 2016	Healthe Care Acquisition Proposal
30 November 2016	Managing Director AGM Presentation
30 November 2016	Chair AGM Presentation
29 November 2016	Trading Halt
25 November 2016	Details of Company Address
22 November 2016	Change in substantial holding from CBA
21 November 2016	Change in substantial holding
21 November 2016	Change in substantial holding from IFL
21 November 2016	Change in substantial holding
21 November 2016	Update on NBIO from Healthe Care
17 November 2016	Change in substantial holding from CBA
7 November 2016	Change in substantial holding
4 November 2016	Change in substantial holding from IFL
31 October 2016	Notice of Annual General Meeting/Proxy Form
24 October 2016	Change in substantial holding
20 October 2016	Non-binding, indicative proposal from Healthe Care
20 October 2016	Trading Halt
7 October 2016	Annual Report with updated Shareholder Information Section
31 August 2016	Investor Presentation
31 August 2016	Pulse Health Growth Continues

5 PROFILE OF PULSE

Date	Announcement
31 August 2016	Audited Financial Statements and Annual Report
31 August 2016	Appendix 4E
31 August 2016	Corporate Governance – Appendix 4G
31 August 2016	Corporate Governance Statement – 2016
19 August 2016	Change of Director's Interest Notice
19 August 2016	Appendix 3B
26 July 2016	Ceasing to be a substantial holder
26 July 2016	Becoming a substantial holder
25 July 2016	Speculation of corporate Activity
1 July 2016	Completion of acquisition of Boulcott Hospital in NZ

5.8 Material changes in Pulse's financial position and financial performance

Within the knowledge of the Pulse Board, the financial position and financial performance of Pulse has not materially changed since 30 June 2016, being the date of Pulse's Annual Financial Report for the financial year ended 30 June 2016 (released to the ASX on 31 August 2016).

On 31 August 2016, Pulse announced its expectation that underlying FY2017 EBITDA from established hospitals would be between \$13.5 million and \$15.5 million (actual results may differ). That announcement also confirmed that EBITDA Ramp-up losses associated with the Gold Coast Surgical Hospital are expected to be in the range of \$1.0 million to \$3.0 million (which losses have not been factored into the above EBITDA guidance), before the greenfield development turns to profit in FY2018. The announcement also confirmed that as the greenfield hospital matures, Pulse anticipates its earning profile to be similar to Boulcott Hospital, with a high level of confidence in the medium and long term growth prospects. Please refer to section 4.7 of the Independent Expert's Report in Section 7 for further information in relation to the outlook for Pulse Group.

Pulse Shareholders should be aware that actual final results may vary from those set out above if there are, for example, material adjustments that need to be made to take account of matters not known to Pulse as at 25 January 2017, being the last practicable date before the date of this Scheme Booklet.

Pulse currently expects to release to ASX its reviewed financial statements for the half year ended 31 December 2016 on or around 28 February 2017.

Following the release of these financial statements, the Pulse Board will obtain the Independent Expert's confirmation of whether the financial results change the Independent Expert's opinion that the Scheme is fair and reasonable and in the best interests of Pulse Shareholders in the absence of a Superior Proposal. This confirmation will be announced to the ASX Market Announcements Platform in advance of the Scheme Meeting. If the Independent Expert opinion has changed, the matter will be relisted before the Court prior

5 PROFILE OF PULSE

to the Scheme Meeting. Pulse Shareholders are strongly encouraged to read those financial statements (and the confirmation of whether the Independent Expert's opinion changes) before deciding how to vote at the Scheme Meeting.

Please refer to the Independent Expert's Report in Section 7 for further financial information in relation to Pulse Group.

5.9 Risks relating to an investment in Pulse

The risk factors in this Section 5.9 are existing factors relating to Pulse's business and the industry in which it operates. These risks will only continue to be relevant to Pulse Shareholders if the Scheme does not proceed and Pulse Shareholders retain their current investment in Pulse. If the Scheme proceeds, Pulse Shareholders will receive the Scheme Consideration, will cease to be Pulse Shareholders and will no longer be exposed to the risks set out in this Section 5.9.

There are various risks associated with an investment in Pulse, as with any share market investment, and specifically because of the nature of Pulse's business. This section identifies the areas that are believed to be the key risks associated with Pulse's business. However, the list of risks set out in this Section 5.9 is not exhaustive. Additional risks and uncertainties of which Pulse is unaware, or that it currently considers immaterial, may also become important factors that affect its business. The following risk factors apply generally with respect to the Pulse Group.

Risks specific to Pulse

(1) Development Projects and acquisitions

Many private healthcare facilities operators such as Pulse may from time to time undertake development projects to expand their current facilities, and to create new facilities or acquire external businesses. There is a risk that any such developments by Pulse may experience cost overruns and or delays in construction, or that the business in the new facility or acquisition does not perform as anticipated, all of which can have a material negative impact on the earnings of Pulse.

(2) Financing risk

Pulse has debt facilities, which upon expiration will need to be refinanced. Pulse may also require access to further financing in order to implement its acquisition strategy. Pulse may not be able to secure such funding on terms that are acceptable or at all.

(3) Integration risks

Pulse has recently made a number of acquisitions and has a strategy to continue to grow by acquisition. There are risks that integration of the assets the subject of historical and future acquisitions with Pulse's

5 PROFILE OF PULSE

existing business may take longer than expected and that there may be no benefits and even detriments to Pulse Group which arise from those acquisitions. These risks include, without limitation, the inability to achieve synergy benefits and cost savings, the potential loss of key personnel and the loss of key doctors.

(4) Dependence on key personnel

Pulse is dependent on a relatively small number of directors and key employees. The loss of any such personnel could have an adverse effect on its operations.

The success of Pulse Group's operations and activities is dependent to a significant extent on the efforts and abilities of the Pulse Directors and the management team. Pulse's ability to retain, motivate and attract qualified and experienced management personnel is vital to Pulse Group's business. There can be no assurance that Pulse Group will be able to successfully retain the necessary qualified personnel or recruit new personnel. The loss or diminution in the services of a member of the boards or management of Pulse Group or an inability to recruit, train and/or retain necessary personnel could have a material and adverse effect on Pulse's business, results of operations, financial performance and prospects.

Risks relating to the healthcare industry

Pulse operates in the private healthcare industry which itself is exposed to a number of risk factors.

(5) Government Policies

The healthcare industry is subject to extensive laws and regulations relating to the conduct of operations, licensing and accreditation of facilities, and the addition and development of facilities and services, among other things. There are several government policies and regulations that could have a material adverse impact on the performance of Pulse if changed, including but not limited to changes to initiatives that promote private health insurance (PHI), changes to regulations relating to PHI funds, changes to hospital licensing policy, changes to medical negligence legislation, and changes to public hospital policy that may encourage patients to use public facilities instead of private facilities.

Pulse is also exposed to risks arising from foreign laws and regulations applicable outside of Australia, including arising from its operations in New Zealand.

(6) PHI and other funders

A large portion of the revenue received by Pulse is derived from PHI funds and other funders, many of which have negotiated schedules of fees with Pulse. Failure to successfully renegotiate such commercial agreements with PHI funds and other funders as they come up for renewal could have a material adverse impact on the profitability of Pulse.

5 PROFILE OF PULSE

Additionally, should PHI fund membership decrease as a result of worsening economic conditions, changes in economic incentives, increased PHI fund premiums, or otherwise, or if PHI fund members elect to decrease their coverage, this could materially impact on the number of patients electing for services in private healthcare facilities such as those operated by Pulse.

(7) Labour

Pulse relies on Accredited Medical Practitioners (**AMPs**) as a source of patient referrals to its facilities and the treatment of patients once referred. There is a risk for all operators of private healthcare facilities that AMPs may choose to refer their patients to, and perform their services at, facilities other than those operated by Pulse.

Additionally, Pulse faces competition in attracting and retaining nursing staff, who constitute the majority of people employed by Pulse. In service areas where there is a relative shortage of available nursing staff, there is a risk that Pulse is unable to properly staff its facilities to meet demand, which could have a material adverse impact on earnings.

Separately, from time to time Pulse may need to renegotiate enterprise bargaining agreements with its staff, and in such cases there is a risk that such negotiations could result in a staff strike or other form of service interruption, or increased direct and indirect labour costs of Pulse, both of which would have a negative impact on earnings.

(8) Litigation and Insurance

Private hospital operators such as Pulse are exposed to the risk of medical indemnity claims and litigation. It is possible that a current or past patient of Pulse may commence or threaten litigation for medical negligence against Pulse, which could have a negative impact on the financial performance, financial position, and future prospects of Pulse.

Separately, while Pulse maintains insurance coverage consistent with industry practice, there is no guarantee that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover all or any future claims.

General risks

The following risks have been identified as being key general risks relevant to an investment in Pulse. These risks have the potential to have a significant adverse impact on Pulse which may in turn affect the financial position and prospects of Pulse and price of Pulse Shares. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, others can be covered by insurance, but some are outside the control of Pulse and cannot be mitigated or insured against.

5 PROFILE OF PULSE

(1) Economic risks

Economic conditions: The economic condition of both domestic and global markets may affect the performance of Pulse. Factors such as fluctuations in currencies (including exchange rates), commodity prices, inflation rate, interest rates, supply and demand and industrial disruption may have an impact on operating costs and therefore future possible revenues and the share market price.

Future capital requirements: The continued operations of Pulse will be dependent on its ability to obtain financing through debt, equity financing or capital raising. There is a risk that Pulse may not be able to access capital for future projects or developments due to factors beyond its control which could have a material adverse impact on Pulse's business and financial condition. Any additional equity financing is expected to be dilutive to Pulse Shareholders and any debt financing, if available, may involve restrictive covenants, which may limit Pulse's operations and business strategy.

Business factors: The continuing economic viability of Pulse will be dependent on managing risk factors normally found in conducting a business, including, without limitation, insolvency or other managerial failure by Pulse Group or any contracting parties or service providers used by the Pulse Group in its activities, management of contractual risks such as contractual defaults, litigation due to breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise), strikes, lockouts, loss of services of key management or operational personnel or change in tax and accounting laws.

There can be no assurance that parties with whom Pulse has entered into commercial arrangements will adhere to the terms of the contracts and arrangements. There is the potential of material failure by or insolvency of any contractor used by Pulse in any of its activities. Such being the case, this could cause disruption to the operations of Pulse. Pulse is unable to predict the risk of insolvency or other managerial failure by any of its contractors or other service providers used by Pulse.

All of the mentioned business factors could have a material adverse effect on the results of the operations or the financial condition of Pulse.

(2) Share market conditions

Securities listed on a stock market can experience price and volume fluctuations that may be related or unrelated to the performance of the company. General factors that may affect the market price of Pulse Shares include, without limitation, economic conditions, both locally and internationally, the global security situation, the possibility of terrorist disturbances and changes in government legislation or policy.

(3) Increased competition

Pulse operates in competitive markets. In general, the entry of new competitors in those markets or changes in the strategy of existing competitors may have an adverse effect on Pulse.

5 PROFILE OF PULSE

(4) Foreign jurisdiction risks

The Pulse Group currently conducts business in Australia and New Zealand. There is a possibility that the Pulse Group may conduct business in other jurisdictions in future, although no forecast is made of whether that will occur.

International operations are subject to a number of risks, such as:

- legal challenges arising in foreign jurisdictions;
- potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- potential difficulties in protecting intellectual property;
- inefficiencies and increased and additional costs of doing business;
- foreign exchange fluctuations;
- political risks associated with operating in domestic and foreign jurisdictions such as changes in the terms of legislation and regulatory requirements, changes to taxation rates and concessions and changes in the ability to enforce legal rights; and
- restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors and others could materially and adversely affect Pulse Group's business, results of operations and financial condition and the value of Pulse Shares. No assurance can be given regarding the future stability or suitability of any country in which the Pulse Group operates or may operate in the future.

6 PROFILE OF HEALTHE CARE

The information provided in this Section 6 has been provided by, and is the responsibility of, Healthe Care. None of Pulse or any other entity in the Pulse Group, or their respective directors, officers, employees or Advisers assumes any responsibility for the accuracy or completeness of the information provided by Healthe Care.

6.1 Overview of Healthe Care

(1) General

In April 2016 Healthe Care was acquired by an Australian subsidiary of Luye Medical International Pte Ltd (**Luye Medical International**). Luye Medical International is incorporated and headquartered in Singapore, and is part of a business known as Luye Medical. Luye Medical has a presence across China, Australia, Singapore and South Korea. Through acquisitions and partnerships with healthcare organisations, Luye Medical comprises brands including Healthe Care (Australia), AsiaMedic (Singapore) and Luye Ellium (South Korea). Luye Medical has also established strong collaboration with Bobath Memorial Hospital and GoodWill Dental in South Korea.

Luye Investment Group owns 100% of the shares in Luye Medical International and is the ultimate holding company of Healthe Care. The shares of Luye Investment Group are owned by its founders: Mr Liu Dian Bo (70%), Mr Yang Rong Bing (15%) and Mr Yuan Hui Xian (15%) – each is a citizen of China and an executive director of Luye Investment Group.

Healthe Care is an owner and operator of private hospitals in Australia. Its current portfolio consists of 17 hospitals with approximately 2,000 beds located in 5 States of Australia, providing clinical care across a range of acute, mental health and specialty (including rehabilitation) healthcare services.

Healthe Care is a growing hospital operator in Australia. Having established the portfolio via the acquisition of 10 hospitals in 2006 and 2007, Healthe Care has grown its portfolio by developing and expanding its existing hospitals ("brownfield developments"), developing new hospitals ("greenfield developments"), and acquiring new hospitals.

(2) Directors

As at the date of this Scheme Booklet, the directors of Healthe Care are:

Director	Biography
Steven Paul Atkins (Managing Director, Chief Executive Officer)	<p>Steve has over 20 years of senior management experience in health care spanning acquisition, management and growth of private hospitals, sports medicine and workplace health businesses.</p> <p>He was instrumental in the establishment of the Healthe Care Australia business in 2005 and he has played a leading role in the growth of the group, initially as Chief Operating Officer and then as Chief Executive Officer and Director.</p> <p>Steve holds a Bachelor of Nursing, an MBA and a Graduate Diploma in Occupational Health & Safety. He has also been a board member of the Australian Private Hospitals Association.</p>

6 PROFILE OF HEALTH CARE

Director	Biography
Geoffrey Joseph Sam (Executive Director, Chairman of Medical Advisory Council)	<p>Geoff has over 35 years of experience in the Australian health sector. He has been Chief Executive Officer and Managing Director of a listed hospital group, as well as for-profit and not-for-profit hospital groups.</p> <p>He has been President of the Australian Private Hospitals Association and he was awarded an Order of Australia for services to healthcare.</p> <p>Geoff holds a Bachelor of Commerce (Accounting and Finance), a Master of Health Administration, a Master of Arts (Economics and Social Studies), and he is a Fellow of the Australian Institute of Company Directors.</p>
Kin Poo Choo	<p>Kin Poo has over 18 years of experience in the medical industry, including acquisitions, management & promotion of public hospitals, medicine, workplace safety and development.</p> <p>He is the Former Executive Manager of the Ministry of Health National Healthcare Group Singapore; responsible for strategy, business development, plans for medical school and clinical research.</p>
Dianbo Liu	<p>Executive Chairman and Core Founder of Luye Group.</p> <p>Since founding Luye Group in 1994, Dianbo has continued to drive the group forward in pursuit of innovation and internationalization. Persisting with the vision to establish Luye Group as one of the most respected global leaders in the healthcare industry, he has led Luye Group to become an international group comprising 3 core businesses: Luye Pharma, Luye Medical and Luye Investment, with footprints across China, United States, Europe, Australia, Singapore and South Korea. Today, Luye Group is an innovative enterprise engaged in a broad spectrum of healthcare-related activities, including discovery and production of innovative drugs, delivery of high-end medical services, as well as research and development of cutting-edge life sciences.</p> <p>In recent years, he has received numerous awards and honours; "China Pharma – 60 Years/60 Stars", "Top 10 Leaders in China's Pharmaceutical Industry", "China's Pioneers in Independent Innovation", "Chinese Pharmaceutical Leaders of the Year", and "Ernst & Young Entrepreneur of the Year".</p>

6 PROFILE OF HEALTHE CARE

Director	Biography
Charles Chong Guang Wang	<p>Charles has more than 25 years' experience in financial management, corporate finance and M&A, out of which more than 17 years is in the healthcare industry. Currently he serves as the Chief Financial Officer of Luye Medical. Prior to this position, Charles served as the chief financial officer of a number of listed and private healthcare companies.</p> <p>He had also previously worked for professional accountancy firms in England and Hong Kong as well as for the Asia-Pacific headquarters of a U.K. listed industrial conglomerate. Charles received his bachelor's degree in economics and accountancy from Leeds University in the United Kingdom in 1988 and has been a member of the Institute of Chartered Accountants of England and Wales since 1991.</p>
Wenfei Guo	<p>Wenfei Guo serves as a Director of Healthe Care.</p> <p>Wenfei has over 20 years of experience in pharmaceutical sales and marketing. Prior to joining Luye Medical, he served as the Vice President of Marketing and Sales at Shandong Luye Pharmaceutical Co Limited. Prior to that, Wenfei held various positions in a number of multi-national and local companies, including medical representative and business director of Tianjin Smith Kline & French Laboratories Limited, district business manager and senior business manager of SmithKline Beecham Pharmaceutical Co Limited.</p> <p>Wenfei also practiced as a thoracic surgeon at Yantai Shan Hospital before joining the commercial industry. He has been a Non-Executive Director of AsiaMedic Limited since February 5, 2016. He obtained his bachelor's degree in 1985 from Shandong Medical University (department of medicine) and EMBA from School of Public Administration, Renmin University of China in 2009.</p>

(3) Senior management team

As at the date of this Scheme Booklet, the senior management team of Healthe Care comprises:

Mr Steve Atkins	Managing Director and Chief Executive Officer
Mr Conal Henderson	Chief Financial Officer
Ms Jenny Patton	Executive General Manager Strategy
Mr Greg Proctor	Executive General Manager Partnerships and Development
Mr Andrew Grant	Executive General Manager Asia

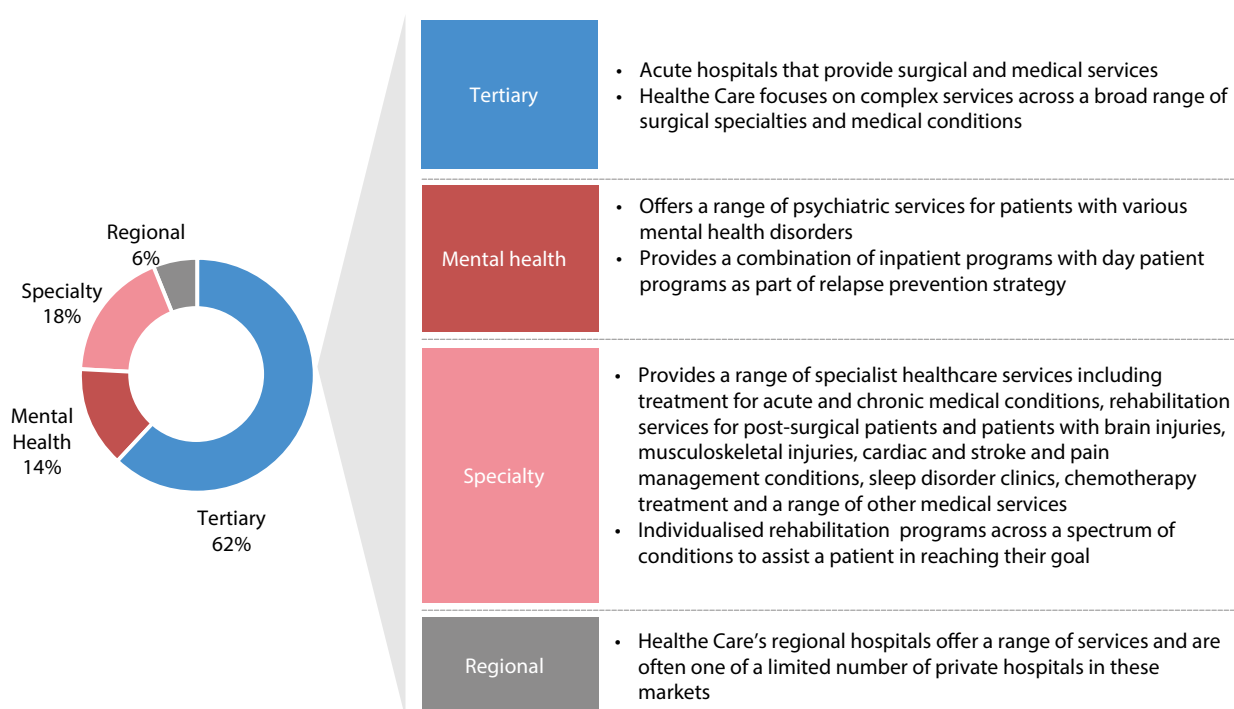
6 PROFILE OF HEALTHER CARE

Mr Bruce Levy	Executive General Manager Leadership
Mr Geoffrey Sam	Executive General Manager Clinical Governance
Mr Greg Campbell	Executive General Manager Developments and Construction
Mr Peter Kahn	Executive General Manager VIC/TAS
Ms Julia Bellamy – Strickland	Executive General Manager QLD / WA
Mr Tim Yeoh	Executive General Manager NSW

(4) Healthe Care's operations

Healthe Care delivers care to patients through specialist services, facilities and medical technology.

Healthe Care employs approximately 5,000 people across a portfolio of 17 hospital sites throughout Queensland, New South Wales, Victoria, Tasmania and Western Australia. Its current portfolio of hospitals and the services provided to communities are listed below.



6 PROFILE OF HEALTHER CARE

Hospital	Service Profile	Location	Closest major city	# Beds	# Op Theatres	# Cath Labs
Gosford	Acute	NSW	Sydney	157	9	2
Hurstville	Acute	NSW	Sydney	134	7	2
Lingard	Acute	NSW	Newcastle	118	7	2
Maitland	Acute	NSW	Newcastle	168	4	--
Mayo	Acute	NSW	Newcastle	92	3	1
The Valley	Acute	VIC	Melbourne	227	8	1
Total Acute				896	38	8
Belmont	Mental Health	QLD	Brisbane	150	--	--
Currumbin	Mental Health	QLD	Gold Coast	104	--	--
Marian	Mental Health	WA	Perth	69	--	--
Townsville	Mental Health	QLD	Townsville	60	--	--
Robina	Mental Health	QLD	Gold Coast	90	--	--
Brisbane Waters	Specialty	NSW	Sydney	97	4	--
Brunswick	Specialty	VIC	Melbourne	125	--	--
South Eastern	Specialty	VIC	Melbourne	167	--	--
Toronto	Specialty	NSW	Newcastle	85	--	--
Dubbo	Regional	NSW	Newcastle	59	3	--
North West	Regional	TAS	Launceston	60	3	--
Total				1,962	48	8

6.2 Rationale for Healthe Care's proposed acquisition of Pulse

Healthe Care's business strategy is to expand through organic growth, brownfield development and strategic acquisitions. Pulse is a strategic fit for Healthe Care due to its complementary hospital footprint, good reputation for clinical care and strong doctor engagement.

6 PROFILE OF HEALTHER CARE

Pulse is attractive for the following reasons:

- *Strategic operating performance:* A number of Pulse's hospitals have demonstrated stable financial and operating performance underpinned by sound reputations for quality clinical care, strong doctor engagement and attractive locations.
- *Brownfield development:* Pulse possesses a number of sites with attractive brownfield development potential. This provides Healthe Care with an attractive growth avenue should the hospital become capacity constrained.
- *Platform New Zealand:* Pulse's hospital in New Zealand provides Healthe Care with a platform to grow in the New Zealand market.
- *Day surgery platform:* Pulse provides Healthe Care with a day surgery platform from which to grow its market share in the day surgery sector.

6.3 Funding arrangements for Scheme Consideration

The Scheme Consideration is 100% cash. Healthe Care will provide the amounts required to be paid for the acquisition of the Scheme Shares pursuant to the Scheme. Under the terms of the Deed Poll, Healthe Care has undertaken in favour of Scheme Shareholders to pay the aggregate Scheme Consideration to Pulse (which will be held on trust for Scheme Shareholders) no later than the Business Day before the Implementation Date.

Based on the number of Pulse Shares on issue as at the date of this Scheme Booklet (being 257,079,905 Pulse Shares) and Scheme Consideration of \$0.47 per Pulse Share, the aggregate maximum amount of Scheme Consideration cash payable by Healthe Care will be approximately \$120,827,555.⁹

Healthe Care will fund its payment of the aggregate Scheme Consideration using the proceeds of an intra-group loan from an Australian incorporated parent company of Healthe Care, Australian Hospital Partners Pty Ltd (**Parent Lender**) (the **Intra-Group Loan**).

The Parent Lender will fund the Intra-Group Loan using the proceeds of drawdowns under a new bank debt facility (the **Acquisition Facility**). The Parent Lender has entered into an agreement under which Westpac will arrange and manage the primary syndication of and underwrite the Acquisition Facility, including a senior secured debt facility of \$170 million.

The lenders under the Acquisition Facility have agreed that there will be certainty as to the availability of funds to pay Scheme Consideration, subject to the satisfaction of various conditions precedent (which Healthe Care considers are customary for facilities of this nature and in respect of which Healthe Care has no reason to believe will not be satisfied if the Scheme has become Effective).

The Parent Lender has confirmed in writing to Healthe Care that it will make the Intra-Group Loan to Healthe Care. The Intra-Group Loan will be available to Healthe Care on request. Advances made to Healthe Care under the Intra-Group Loan are repayable by Healthe Care on demand by the Parent Lender, provided that no such demand can be made until Healthe Care has satisfied its obligation to pay the aggregate Scheme Consideration in accordance with the Scheme and Deed Poll.

⁹ It is not anticipated that further Pulse Shares will be issued. As noted in Section 10.9, the 1,000,000 Pulse Options on issue as at the date of this Scheme Booklet will be cancelled on the Implementation Date and, as noted in Section 10.8, the 315,000 Pulse Performance Rights on issue as at the date of this Scheme Booklet are expected to lapse prior to the Implementation Date.

6 PROFILE OF HEALTHER CARE

6.4 Intentions of Healthe Care if the Scheme is implemented

(1) *Introduction*

This Section 6.4 sets out the intentions of Healthe Care in relation to:

- (a) the continuation of the business of Pulse;
- (b) any major changes to be made to the business of Pulse, including any redeployment of fixed assets of Pulse; and
- (c) the future employment of present employees of Pulse, in circumstances where the Scheme is implemented.

These intentions have been formed on the basis of facts and information concerning Pulse and the general business environment which are known to Healthe Care at the time of preparing this Scheme Booklet. Final decisions on these matters will only be made by Healthe Care in light of all material facts and circumstances at the relevant time. Accordingly, the statements set out in this Section 6.4 are statements of current intention only and may change as new information becomes available or as circumstances change. The statements in this Section 6.4 should be read in that context.

(2) *Delisting from ASX*

If the Scheme is implemented, Healthe Care will cause Pulse to request ASX to remove Pulse from ASX's Official List.

(3) *Board of directors*

If the Scheme is implemented, Healthe Care will replace the members of the Pulse Board and its subsidiaries with nominees of Healthe Care (who have yet to be identified).

(4) *Operations*

If the Scheme is implemented, Healthe Care intends to conduct a review of Pulse's operations covering strategic, financial and operational matters. Healthe Care intends to ultimately integrate the businesses of Pulse and Healthe Care. While Healthe Care does not have any specific intentions in relation to the outcomes of the review, it may identify opportunities on how best to integrate the two businesses and to achieve greater efficiencies and synergy benefits over time. By way of example, there will be duplication across head office premises and there may be some efficiencies to be gained from consolidating the premises of Pulse and Healthe Care.

In particular, Healthe Care notes that the existing businesses of Pulse and Healthe Care are complementary and share some common requirements in terms of infrastructure and operations.

6 PROFILE OF HEALTHER CARE

Accordingly, it is expected that the process of integrating the two businesses may result in some changes to both the Pulse business and the Healthe Care business, but the nature or extent of such changes will depend on the outcome of the review described above.

Healthe Care has no current intention to make major changes to the Pulse business and intends to support Pulse in continuing to operate its business largely consistently with its existing strategies and initiatives. Healthe Care has no current intention to redeploy any of Pulse's fixed assets. However, any final decisions regarding the continuation of Pulse's business, any major changes to the Pulse business and any redeployment of the fixed assets of Pulse will be made as part of or following the review described above.

(5) *Management and employees*

Healthe Care will evaluate the future employment requirements of the Pulse business as part of the integration process and the review described above.

Overall, key operational responsibilities for the Pulse business are expected to be largely unchanged. However, final decisions regarding the structure of the Healthe Care and Pulse Group businesses (including in respect of any potential duplication between existing corporate and administrative functions) will be made as part of the integration process and review described above. To the extent that functions currently carried out by either Healthe Care or Pulse Group are duplicated, and therefore possibly become redundant, Healthe Care intends to use reasonable efforts to manage this through natural attrition or re-assignment of employees.

6.5 Healthe Care Group's interests and dealings in Pulse Shares

(1) *Relevant Interests and Voting Power*

As at the date of this Scheme Booklet, none of Healthe Care, any of its Related Bodies Corporate or any of their respective Associates has any Relevant Interest in any Pulse Shares, Pulse Options or Pulse Performance Rights, nor any Voting Power in Pulse.

(2) *No dealings in Pulse Shares, Pulse Options or Pulse Performance Rights in the previous four months*

Except for the consideration to be provided under the Scheme and as described in this Scheme Booklet, during the period of 4 months before the date of this Scheme Booklet, none of Healthe Care, any of its Related Bodies Corporate or any of their respective Associates has provided or agreed to provide consideration for any Pulse Shares, Pulse Options or Pulse Performance Rights under a purchase or an agreement.

6 PROFILE OF HEALTHE CARE

(3) *Benefits to holders of Pulse Shares*

During the four months before the date of this Scheme Booklet, none of Healthe Care, any of its Related Bodies Corporate, or any of their respective Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to:

- (a) vote in favour of the Scheme; or
- (b) dispose of Pulse Shares,

and where the benefit was not offered to all Pulse Shareholders.

7 INDEPENDENT EXPERT'S REPORT



PULSE HEALTH LIMITED

Acquisition by Healthe Care Australia Pty Ltd by
Scheme of Arrangement

INDEPENDENT EXPERT'S REPORT
AND FINANCIAL SERVICES GUIDE

26 JANUARY 2017

7 INDEPENDENT EXPERT'S REPORT



26 January 2017

The Directors
Pulse Health Limited
Suite 6, Level 22
227 Elizabeth Street
Sydney NSW 2000

Dear Directors,

Independent Expert's Report for Pulse Health Limited

1. Introduction

Pulse Health Limited ("**Pulse**") is a public company listed on the Australian Securities Exchange ("**ASX**") that operates specialist private hospitals. As at 19 October 2016 Pulse had a market capitalisation of approximately \$85 million.

Healthe Care Australia Pty Ltd ("**Healthe Care**") is part of the Luye Medical Group which comprises a network of healthcare service facilities across major cities in China. Healthe Care also operates a portfolio of 17 hospital sites located in major cities and key regional centres in Australia.

On 20 October 2016 Pulse announced that it had received a non-binding indicative proposal from Healthe Care to acquire 100% of the shares in Pulse, for \$0.47 per share in cash, by way of a scheme of arrangement ("**Proposed Transaction**"). Subsequently, on 30 November 2016, Pulse and Healthe Care entered into a scheme implementation deed to facilitate the Proposed Transaction, for cash consideration of \$0.47 per Pulse share ("**Scheme Consideration**").

Further details of the Proposed Transaction are set out in Section 1 of our detailed report.

2. Purpose of report

There is no formal requirement for an independent expert's report in relation to the Proposed Transaction. However, the directors of Pulse have requested Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report ("**IER**") to assess whether the Proposed Transaction is in the best interests of Pulse's shareholders ("**Shareholders**"). This report will be included in the scheme booklet in relation to the Proposed Transaction ("**Scheme Booklet**") to assist Shareholders to evaluate the Proposed Transaction.

Further details of the purpose of this report are set out in Section 2 of our detailed report.

3. Basis of evaluation

In order to assess whether the Proposed Transaction is in Shareholders' best interests we have considered whether it is fair and reasonable to Shareholders. In order to assess whether the Proposed Transaction is fair and reasonable we have:

- ◆ Assessed it as fair if the consideration offered by Healthe Care is greater than or equal to the value of a Pulse share on a control basis
- ◆ Assessed it as reasonable if it is fair, or if despite not being fair the advantages to Shareholders outweigh the disadvantages

Further details of the basis of evaluation are set out in Section 2 of our detailed report.

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7 INDEPENDENT EXPERT'S REPORT

Pulse Health Limited
Independent Expert's Report and Financial Services Guide
26 January 2017



4. Analysis of fairness

We have assessed the fair market value of a Pulse share to be in the range of \$0.41 to \$0.47, using the capitalisation of earnings approach as follows:

Table 1: Valuation summary

\$'m	EBITDA		EBIT	
	Low	High	Low	High
Selected maintainable earnings	17.5	18.0	14.0	14.5
Selected earnings multiples	8.0x	8.5x	10.0x	10.5x
Enterprise value	140.0	153.0	140.0	152.3
Net debt	(30.1)	(30.1)	(30.1)	(30.1)
Non-operating liabilities	(3.5)	(1.5)	(3.5)	(1.5)
Equity value	106.4	121.4	106.4	120.7
Number of shares on issue	257.1	257.1	257.1	257.1
Value per share (\$)	0.41	0.47	0.41	0.47

Source: Leadenhall analysis

In applying the capitalisation of earnings approach we have:

- ◆ Determined a maintainable level of EBIT of \$14.0 million to \$14.5 million. This equates to a maintainable level of EBITDA of \$17.5 million to \$18.0 million after adjusting for depreciation and amortisation. This level of earnings was built up on a facility by facility basis, after consideration of historical earnings (normalised to remove nonrecurring items), management forecasts and year to date earnings
- ◆ Applied an EBIT multiple of 10.0x to 10.5x times and an EBITDA multiple of 8.0x times to 8.5x times. These are control multiples, derived from analysis of takeover transactions and share market trading prices of companies with similar businesses to Pulse
- ◆ Deducted the \$30.1 million net debt balance of Pulse as at 30 November 2016
- ◆ Deducted \$1.5 million to \$3.5 million in relation to expected additional investment (predominantly operating losses) in the Gold Coast facility during its ramp-up phase

The result from this methodology was cross-checked using an analysis of share market trading prior to the announcement of the Proposed Transaction. Further details of the valuation of Pulse are set out in Section 6 of our detailed report.

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of a Pulse share on a control basis with the consideration offered. This comparison is set out in the table below.

Table 2: Assessment of fairness

	Low	High
Fair market value of a Pulse share	\$0.41	\$0.47
Consideration	\$0.47	\$0.47

Source: Leadenhall analysis

Since the consideration offered is within the assessed range of values of a Pulse share the Proposed Transaction is fair to Shareholders.

7 INDEPENDENT EXPERT'S REPORT

Pulse Health Limited
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26 January 2017



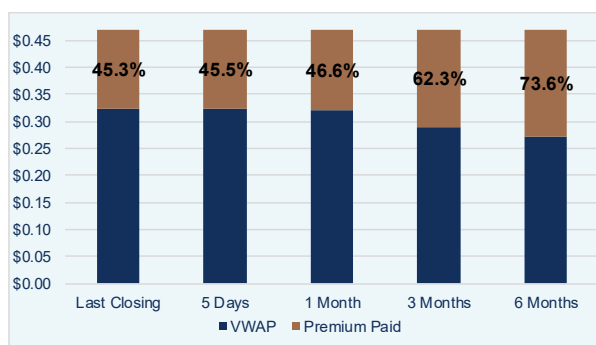
5. Analysis of reasonableness

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

- ◆ **Premium to market price** – The Scheme Consideration reflects a meaningful premium to Pulse's share price prior to the announcement of the Proposed Transaction, as set out in the figure below:

Figure 1: Premium to market price



Source: FactSet and Leadenhall analysis

Note: Last closing is as at 19 October 2016 being the day prior to announcement of the Proposed Transaction

- ◆ **Share price in the absence of an alternative offer** - In the absence of any alternative takeover offer, the only alternative to dispose of Pulse shares would be to sell them on market at a price which does not include a premium for control and would incur transaction costs (e.g. brokerage). If the Proposed Transaction is not approved, it is likely that Pulse shares would trade at a price below the Scheme Consideration, at least in the short term.
- ◆ **No superior alternative offer** - We are not aware of any competing proposals to acquire Pulse by any third party. However, we note that there would be an opportunity for any other interested party to put forward a competing offer prior to the scheme meeting being held. In these circumstances Shareholders would need to consider the competing offer before concluding on the Proposed Transaction.

Disadvantages

- ◆ **Loss of exposure to Pulse** - If the Proposed Transaction is completed Shareholders would lose their exposure to the future performance of Pulse. We note that Pulse's management team has set out a medium-term plan for the business with the aim of material growth in profitability and potential expansion through acquisition in both Australia and New Zealand (neither of which are certain or without risk). Part of this growth is expected to be achieved through the maturity of the Gold Coast facility, which we have factored into our valuation analysis. If this plan is achieved, it is possible that the value of Pulse shares may exceed the consideration offered under the Proposed Transaction in the medium term. If the Proposed Transaction is completed, Shareholders will not be able to participate in this potential upside. However, we note that alternative investments are available for Shareholders who chose to invest in Pulse due to a positive view on the private hospital sector.
- ◆ **Synergy benefits** - Given the complementary nature of Healthe Care's business with Pulse, it is likely that Healthe Care will be able to realise some synergy benefits from acquiring Pulse. Based on our analysis, the Scheme Consideration does not appear to include a material amount related to potential synergies as the consideration offered is consistent with our assessed value of a Pulse share excluding synergy benefits. However, in the absence of a competing proposal, it is common for an acquirer not to pay for potential synergies they may obtain in a business combination.

7 INDEPENDENT EXPERT'S REPORT

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- ♦ **Tax implications** - The acceptance of the Proposed Transaction may have varying tax implications for individual shareholders, which could result in immediate tax leakage that would otherwise be deferred in other transaction structures or in the absence of the Proposed Transaction. Since this may impact the net cash consideration received this may be a disadvantage for those shareholders that incur a taxation liability as a result of the Proposed Transaction. Shareholders should seek their own independent advice as to any potential tax implications of the Proposed Transaction.
- ♦ **Break Fee** – If the Proposed Transaction does not proceed, Pulse will be obliged to pay a break fee to Healthe Care of \$1.2 million (plus any GST) under certain circumstances as set out in the Scheme Booklet.

Conclusion on reasonableness

Since the Proposed Transaction is fair it is also reasonable.

6. Opinion

In our opinion the Proposed Transaction is fair and reasonable to Shareholders. The Proposed Transaction is therefore in the best interests of Shareholders.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Richard Norris'.

Richard Norris
Director

A handwritten signature in black ink, appearing to read 'Dave Pearson'.

Dave Pearson
Director

*Note: All amounts stated in this report are in Australian dollars unless otherwise stated.
Tables in this report may not add due to rounding.*

7 INDEPENDENT EXPERT'S REPORT

Pulse Health Limited
Independent Expert's Report and Financial Services Guide
26 January 2017



LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$60,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

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Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Financial Ombudsman Service ("FOS"). The FOS will then be able to advise you as to whether or not they can assist in this matter. The FOS can be contacted at the following address:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808
Email: info@fos.org.au

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

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1 TERMS OF THE PROPOSED TRANSACTION

1.1 Overview

Pulse is listed on the ASX and had a market capitalisation of approximately \$85 million as at 19 October 2016. Pulse operates several specialist private hospitals in Australian and New Zealand.

Healthe Care is also engaged in the operation of private hospitals, with a portfolio of 17 hospital sites located around Australia. Healthe Care is part of the Luye Medical Group which also operates a network of healthcare service facilities across major cities in China.

On 30 November 2016 Pulse and Healthe Care entered into a scheme implementation deed for Healthe Care to acquire 100% of the shares in Pulse via a scheme of arrangement. The agreed consideration is \$0.47 in cash per Pulse share, or approximately \$120.8 million in total.

1.2 Approval

For the Proposed Transaction to become effective, among other requirements, it will need to be approved at a meeting of Shareholders. Approval requires both of:

- ◆ A majority in number (i.e. more than 50%) of Shareholders present and voting (either in person or by proxy) at the meeting due to be held on or about 13 March 2017 to vote in favour of the Proposed Transaction
- ◆ At least 75% of the votes in respect of the resolution to be cast in favour of the Proposed Transaction

If approved by Shareholders, the scheme will then require approval by the Supreme Court of New South Wales.

1.3 Conditions

The Proposed Transaction is also subject to a number of conditions including:

- ◆ The necessary regulatory approvals, including informal merger clearance from the Australian Competition and Consumer Commission and the New Zealand Overseas Investment Office approval
- ◆ The independent expert concluding that the Proposed Transaction is 'in the best interests' of Shareholders
- ◆ No prescribed events or material adverse changes in respect of Pulse

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2 SCOPE

2.1 Purpose of the Report

The Proposed Transaction is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act 2001 ("Section 411"). Under Section 411, the scheme must be approved by Shareholders as described in Section 1.2 above.

Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth) ("Part 3") prescribes the information to be provided to shareholders in relation to schemes of arrangement. Part 3 requires an independent expert's report stating whether a proposed scheme is in the best interests of shareholders of the company subject to the scheme if either:

- ◆ The other party to the scheme is entitled to not less than 30% of the voting shares in the company which is the subject of the scheme
- ◆ A director of the corporation that is the other party to the scheme is also a director of the company that is the subject of the scheme

As Health Care does not have any directors in common with Pulse and does not hold any of its shares, there is no formal requirement for an independent expert's report in relation to the Proposed Transaction. However, the directors of Pulse have requested Leadenhall to prepare an independent expert's report in relation to the Proposed Transaction, as if it was required under Part 3, to assist Shareholders evaluate the Proposed Transaction.

2.2 Basis of Evaluation

Best Interests

We have been asked to prepare the IER as if it was required under Part 3, which requires an independent expert to determine whether a transaction is in the best interests of shareholders. In assessing the meaning of '*in the best interests*' we have referred to Regulatory Guide 111: Content of Expert Reports ("RG 111") issued by the Australian Securities and Investments Commission ("ASIC"). As the Proposed Transaction involves a change of control of Pulse we have specifically referred to RG 111.19 which requires an expert assessing a scheme of arrangement involving a change of control to provide an opinion on whether the proposal is '*fair and reasonable*'. We have therefore evaluated whether the Proposed Transaction is fair and reasonable to Shareholders and, consistent with the requirements of RG 111, have assessed the Proposed Transaction as being '*in the best interests*' of Shareholders if it is either '*fair and reasonable*' or '*not fair but reasonable*'. We have assessed the Proposed Transaction as '*not in the best interests*' of Shareholders if it is '*neither fair nor reasonable*'.

Neither the ASX Listing Rules nor the Corporations Act 2001 define the term '*fair and reasonable*' and neither contains any guidance on what should be considered when assessing whether a proposed transaction is fair and reasonable. However, guidance on what an independent expert should consider and how '*fair and reasonable*' should be defined is contained in RG 111 which states that there should be separate assessments of whether a transaction is '*fair*' and whether it is '*reasonable*'. We have therefore considered the concepts of '*fairness*' and '*reasonableness*' separately as discussed below.

Fairness

RG 111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer. Accordingly, we have assessed whether the Proposed Transaction is fair by comparing the value of a Pulse share with the consideration offered to Shareholders.

The value of a Pulse share has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG 111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

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We have assessed the value of Pulse using the concept of fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

While there is no explicit definition of value in RG 111, this definition of fair market value is consistent with the basis of value described at RG 111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Our assessed value of Pulse does not include any special value in accordance with RG 111.

Reasonableness

In accordance with RG 111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote in favour of the proposal. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG 111.13:

- ◆ Any pre-existing interest of Healthe Care in Pulse
- ◆ Existing shareholder composition of Pulse
- ◆ The liquidity of the market in Pulse's shares
- ◆ Taxation losses, cash flow or other benefits through achieving 100% ownership of Pulse
- ◆ Any special value of Pulse to Healthe Care
- ◆ The likely market price of Pulse shares if the Proposed Transaction is unsuccessful
- ◆ The value of Pulse to an alternative bidder and the likelihood of an alternative offer

We have also considered the other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual Circumstances

We have evaluated the Proposed Transaction for the Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

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3 PRIVATE HOSPITAL INDUSTRY

3.1 Summary

Hospital health care services in Australia are provided in public and private hospitals. Public hospitals receive funding from state and federal governments and provide health care services for little or no cost to recipients. Private hospitals are mainly owned and managed by private organisations, either for-profit companies or non-for-profit non-government organisations. Private hospitals include day hospitals that provide services on a day-to-day basis only and hospitals that provide overnight care.

Demand for hospital care has surged over the past five years due to Australia's rapidly ageing population and the prevalence of chronic illness among adults. Private hospitals have received a further boost from increased private health insurance membership. Private health insurance coverage is expected to continue expanding, although coverage downgrades are anticipated due to rising premium prices.

3.2 Hospital Resources

In 2014-15, there were 1,322 hospitals in Australia, of which 698 were public hospitals and 624 were private hospitals. The table below shows the number of public and private hospitals by state and territory.

Table 3: Number of hospitals by State and Territory

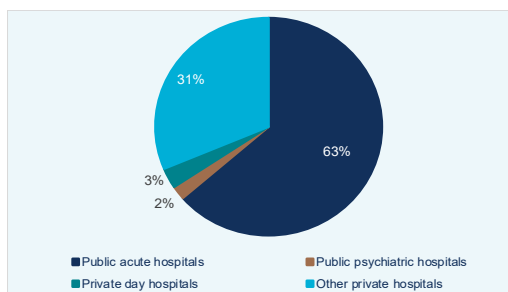
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Public hospitals								
Public acute hospitals	217	149	118	89	75	22	3	5
Public psychiatric hospitals	8	2	4	3	2	1	0	0
Total public hospitals	225	151	122	92	77	23	3	5
Private Hospitals								
Private free-standing day hospitals	112	88	54	40	28	n/a	n/a	n/a
Other private hospitals	91	79	55	20	27	n/a	n/a	n/a
Total private hospitals	203	167	109	60	55	n/a	n/a	n/a
Total Hospitals	428	318	231	152	132	n/a	n/a	n/a

Source: Australian Institute of Health and Welfare

Note: Private hospital numbers in TAS, ACT and NT are not available

Figure 2: Beds by hospital type 2014-15

Between 2010-11 and 2014-15, public hospital bed numbers increased by an average of 1.1% per year to approximately 60,300 beds. Over the same period private hospital bed numbers increased by an average of 2.9% per year to approximately 32,000. Figure 2 sets out the proportion of beds by hospital type in 2014-15.



Source: Australian Institute of Health and Welfare

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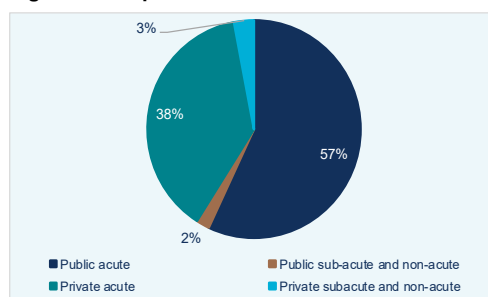
3.3 Services

Hospital services are generally broken down into two subcategories:

- ◆ **Acute care services:** services with the intent to cure the conditions and alleviate the symptoms
- ◆ **Subacute and non-acute services:** services that are not acute such as rehabilitation, palliative care, geriatric evaluation and management, maintenance care and psychogeriatric care

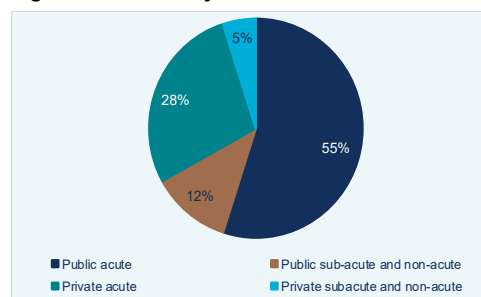
The figures below set out hospitalisations and patient days by care type and provider.

Figure 3: Hospitalisations 2014-15



Source: Australian Institute of Health and Welfare

Figure 4: Patient days 2014-15






Source: Australian Institute of Health and Welfare

Between 2010-11 and 2014-15 the following key observations were made by the Australian Institute of Health and Welfare in regard to service provision:

- ◆ The care types with the highest average increase each year were newborn in public hospitals and rehabilitation care in private hospitals
- ◆ The number of hospitalisations for acute care increased on average by 3% each year for public hospitals and 3.5% for private hospitals
- ◆ Rehabilitation accounted for an increasing proportion of all subacute and non-acute care hospitalisations rising from 76% in 2010-11 to 79% in 2014-15

The key reasons why patients sought hospital treatment in 2014-15 were:

Table 4: Reasons for patient treatment 2014-15

Reason for admission		Key statistics
	Dialysis for Kidney Disease	<ul style="list-style-type: none"> ◆ 1.4 million hospitalisations ◆ 99% same day service
	Cancer	<ul style="list-style-type: none"> ◆ 1.1 million hospitalisations ◆ 440,000 chemotherapy treatments ◆ 10,000 cancer screening tests ◆ 89% same day services
	Digestive system	<ul style="list-style-type: none"> ◆ 1 million hospitalisations ◆ 62% same day services ◆ 41% of services involved endoscopy ◆ 89% of services involved surgery

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Reason for admission		Key statistics
	Injury and poisoning	<ul style="list-style-type: none"> ◆ 651,000 hospitalisations ◆ 34% same day services ◆ 3% involved a stay in intensive care ◆ 36% involved surgery
	Pregnancy and childbirth	<ul style="list-style-type: none"> ◆ 559,000 hospitalisations ◆ 8% of normal deliveries were same-day ◆ 35% of childbirth hospitalisation involved a caesarean section
	Musculoskeletal and connective tissue	<ul style="list-style-type: none"> ◆ 534,000 hospitalisations ◆ 42% same day services ◆ 65% involved surgery
	Circulatory	<ul style="list-style-type: none"> ◆ 490,000 hospitalisations ◆ 24% same day services ◆ 7% involved a stay in intensive care ◆ 25% involved surgery
	Respiratory	<ul style="list-style-type: none"> ◆ 438,000 hospitalisations ◆ 20% same day services ◆ 3% involved a stay in intensive care ◆ 21% involved surgery
	Eye diseases	<ul style="list-style-type: none"> ◆ 383,000 hospitalisations ◆ 97% of cataract extractions were same day ◆ 97% involved surgery

Source: Australian Institute of Health and Welfare

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3.4 Key External Drivers

There are three key external drivers of the private hospital industry as set out below.

Ageing population

Older people account for greater industry revenue per capita than younger people. An ageing population and changing lifestyle choices resulted in a greater percentage of the population suffering from chronic health conditions, fuelling demand for hospital services.

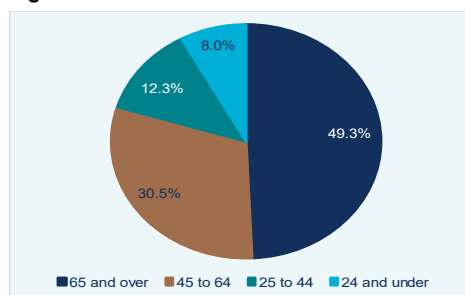
The proportion of older people, those aged over 65, in the Australian population is increasing. The number of people aged 65 and over has more than tripled over fifty years, rising to 3.4 million in 2014. There has also been a nine-fold increase in the number of people aged 85 and over. These trends are predicted to continue in the future as life expectancies continue to increase and the baby boomer generation ages. Based on population projections by the Australian Bureau of Statistics, by 2064 there is expected to be 9.6 million people aged 65 and over and 1.9 million people aged 85 and over, representing 23% and 5% of Australia's total projected population respectively. Older age is generally associated with increased ill health and a greater demand for health care services.

Key relationships between health care and older age include:

- ◆ 41% of hospitalisation in 2014-15 were for people aged 65 or older who only account for 13% of Australia's population
- ◆ 53% of older Australians reported a disability in 2012, compared with only 14% of those aged 15 to 64

People aged 65 and over have a greater proportion of hospital admissions compared with their population share. This over-representation is largely due to age related illnesses. Diseases and chronic illnesses afflict older people more often than younger people which leads to increased hospital visits. Private hospital insurance rates are higher among people over 65 which allows them to use private hospital services more frequently than younger people. The breakdown of private hospital admissions by age segment in 2014-15 is set out in the figures below.

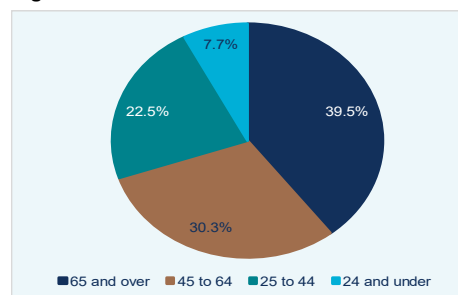
Figure 6: Male admission 2014-15



Source: Australian Institute of Health and Welfare

Note: excludes Tasmania, ACT and NT as no data was published

Figure 5: Female admissions 2014-15



Source: Australian Institute of Health and Welfare

Note: excludes Tasmania, ACT and NT as no data was published

The discrepancy between male and female admissions in the 25 to 44 age bracket is largely attributable to childbirth. Females are increasingly giving birth later in life, resulting in this segments' share of admissions growing as fewer females give birth before the age of 25. Hospitalisations for childbirth are also the largest contributor to female admissions representing a higher proportion of total admissions at 55%.

Private health insurance membership

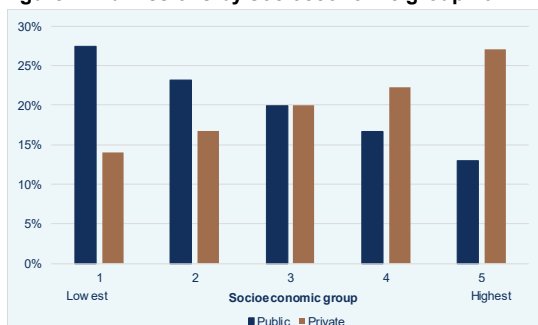
Private hospital revenue is influenced by the number of people with private health insurance, and the level of benefits paid by insurance funds to hospitals. According to the Australian Prudential Regulation Authority, the proportion of the population with private hospital cover rose from 45.7% in March 2012 to 47.2% in March 2016. Private health insurance membership is significantly influenced by an individual's socio-economic status, which is reflected in private hospital admissions, as set out in the figure below.

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Figure 7: Admissions by socioeconomic group 2014-15



Source: Australian Institute of Health and Welfare

The percentage of total hospitalisations in private hospitals increases with patient's socio economic status. This is because people in higher socio economic group are more able to afford private health insurance.

A larger proportion of patients in lower socio economic groups seek treatment at public hospitals as there are limited out of pocket expenses associated with public hospital services.

Rising private health insurance coverage has contributed to an expanding client base for private hospitals and also resulted in patients being more willing to undergo elective procedures due to reduced waiting times. The federal government offers strong incentives for consumers to take up private hospital insurance, having provided a 30% rebate on private health insurance premiums over the past five years. Changes to the rebate system were made in FY14, meaning the rebate now declines as individuals and families move into higher income brackets. However, the Medicare levy surcharge, where an additional Medicare surcharge is taxed on individuals and families who do not hold private health insurance and exceed certain taxable income thresholds, is likely to largely offset this disincentive.

Relationships with private health insurers

Private health insurers are constantly looking to extract greater efficiencies from private hospitals, as they are under pressure to keep insurance costs down so that coverage remains attractive to consumers. The rising average age of members and the continued rise in the prevalence of chronic diseases will increase the insurers' benefit costs, leading to increased premiums.

Increased premiums may force some people out of the market or cause them to downgrade their level of cover. This would decrease the range of private hospital services they can claim benefits for and therefore decrease demand for private hospital services. Despite these cost pressures, private health insurance coverage is expected to increase from 11.8 million Australians in FY17 to 13.0 million in FY22.

Other factors

Other external factors affecting the private hospital industry include:

- ◆ **Number of births:** women in the child-bearing years are heavy users of hospital services, particularly maternity services. In 2014-15 1.8% of private hospital admissions were for childbirth. The number of births is expected to grow in FY17 which is likely to result in an increase in demand for private hospital services
- ◆ **Discretionary items:** patients can choose to self-fund procedures performed in private hospitals or in some instances may be required to pay a 'gap' where their insurance cover is not sufficient to pay for all services provided. Discretionary income can therefore influence demand, as people on higher income tend to use private hospital services at a greater rate than those on lower incomes.

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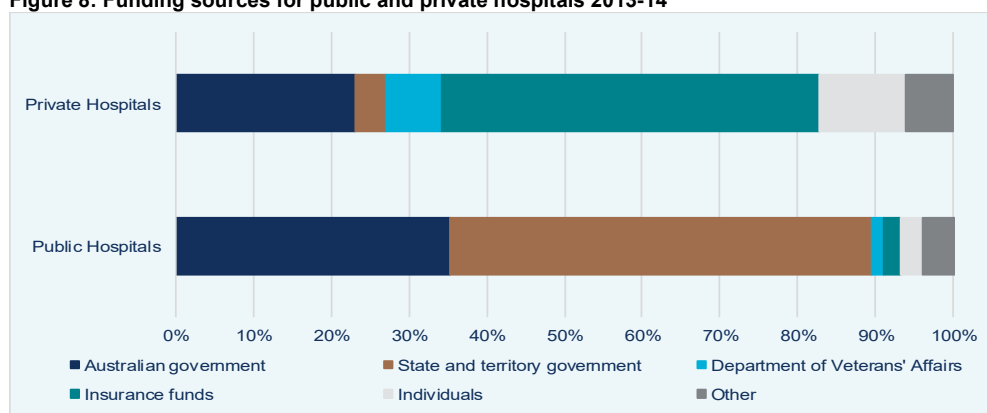
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3.5 Funding Sources

Private hospitals are mainly funded by private health insurance and out-of-pocket payments by patients as set out in the figure below.

Figure 8: Funding sources for public and private hospitals 2013-14



Source: Australian Institute of Health and Welfare

In relation to sources of private hospital funding:

- ◆ Between 2009-10 and 2013-14 funding for private hospitals increased by an average of 5% each year
- ◆ Between 2009-10 and 2013-14 the proportion of private hospital funding provided by the Australian Government decreased from 33% to 30%
- ◆ In 2014-15 83% of hospitalisation in private hospitals were funded by private health insurance
- ◆ In 2014-15 about 7% of hospitalisation in private hospitals were self-funded
- ◆ In 2014-15 about 2% of hospitalisations in private hospitals were funded by workers compensation and motor vehicle third party claims.

3.6 Competitive Environment

Competition in the private hospitals industry is based on:

- ◆ Out-of-pocket expenses
- ◆ Proximity to and accessibility of services
- ◆ Relationships with referring physicians
- ◆ Depth and scope of services
- ◆ Quality of accommodation and medical services

The industry demonstrates high barriers to entry for new participants. The cost of building and accrediting a new hospital can be extremely high and it can often take a significant amount of time to reach sufficient utilisation to ensure ongoing viability. In order to attract patients, community awareness and referral relationships with medical practitioners must be established. This can be difficult when there is already an established operator in the surrounding geographical area. Regulatory policy, such as that over the licensing of new hospital beds, is another barrier that would need to be overcome by a new operator in the industry.

Significant private hospital operators in Australia include:

- ◆ **Ramsay Health Care:** a large listed public company that operates private hospitals in Australia, France, the United Kingdom and Asia

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- ◆ **Healthscope:** a large listed public company that operates 45 private hospitals and 48 medical centres in Australia. Healthscope also has international pathology operations across New Zealand, Malaysia, Singapore and Vietnam
- ◆ **Healthe Care:** a subsidiary of Luye Medical a Chinese company that operates a portfolio of 17 private hospitals in major cities and key regional areas across Australia. Healthe Care also provides out-patient services including workplace rehabilitation and community nursing
- ◆ **St John of God Health Care:** the largest not-for-profit operator of public and private hospitals, home nursing and social outreach services throughout Australia, New Zealand and the wider Asia-Pacific region
- ◆ **Cura Day Hospitals Group:** the Cura Group is a private company that offers health care services through a network of 19 day surgeries

In New Zealand, the largest private hospital network is owned by Southern Cross Hospitals a not-for-profit health care provider.

3.7 Key Success Factors

The most important key success factors for the private hospital industry are:

- ◆ **Access to a highly skilled workforce:** the ability to attract and retain quality medical, nursing and administrative staff is important as good staff promote quality outcomes. The increased demand for health services is expected to result in shortages of doctors and nurses in the medium to long term which will be exaggerated by disciplinary and geographic maldistribution. In addition, private hospitals can face competition in attracting skilled specialists with existing referral networks.
- ◆ **Proximity to key markets:** a hospital's location is important as consumers prefer to access facilities close to their home and specialists prefer to practice close to where they live.
- ◆ **Having a loyal customer base:** hospital operators aim to lock in referral and customer bases through strong marketing of services to referring doctors, insurers and the public to promote demand.
- ◆ **Optimising capacity utilisation:** maximising throughput and occupancy rates can reduce per patient costs and promote profitability.
- ◆ **Quality of services:** the quality of hospital facilities and procedural expertise is important in attracting referrals. Accreditation with the Australian Council on Healthcare Standards demonstrates that quality standards are complied with.
- ◆ **Scale:** industry participants can benefit from economies of scale particularly in relation to back office functions, procurement and negotiating power. This has resulted in significant consolidation activity in the last 10 to 15 years.

3.8 Industry Outlook

Australia's ageing populations, increased prevalence of chronic disease and steady growth in the percentage of the population covered by private health insurance is expected to underpin steady growth in the private hospital industry over the next five years and beyond. There is expected to be continuing consolidation within the industry in order to support growth through greater economies of scale. Revenue growth, improved occupancy rates and cost containment are expected to support widening profit margins in the medium term. However, margin pressure will be applied by private health insurers who are expected to demand greater efficiencies from service providers as they seek to retain their own margins in the face of increased benefit costs.

Private health insurance premiums are expected to continue to grow at above inflation rates which may force some members not to renew or reduce their cover level. This risk is mitigated to a large extent by federal government policies which incentivise private hospital cover, particularly for those in higher income brackets.

Australia's ageing population is expected to drive growth in private health insurance coverage rates, with retirees increasingly self-funding their retirements and the greater benefit generally acquired by older Australians from private health insurance coverage.

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3.9 New Zealand

The health care industry in New Zealand is similar to Australia, however the private sector in New Zealand is less established as there are fewer government incentives to take out private health insurance. In New Zealand approximately 80% of health care expenditure is publicly funded compared to approximately 70% public funding in Australia. In New Zealand, there are 11 private health insurers that insure approximately 1.4 million people and there are 75 private hospitals. This compares with 34 private health insurers in Australia and 594 private hospitals.

Forecasts prepared by New Zealand Treasury indicate that growth in public health expenditure will significantly outpace growth in public revenue. On this basis it is expected that there will be an expanded role for private health insurance and private hospital service provision in the future. Pressure on future public health expenditure is primarily due to the ageing population in New Zealand.

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4 PROFILE OF PULSE

4.1 Introduction

Pulse is a leading operator of specialist private hospitals in Australia and New Zealand. Pulse hospitals partner with local specialist doctors to provide high quality specialist care for local patients. Pulse hospitals are supported by a shared services team providing finance, human resources, payroll, quality, risk, business development and marketing services from their base in Sydney.

Through its group of private hospitals, Pulse provides the following medical services:

- ◆ **Specialist rehabilitation and mental health services:** Pulse's specialist rehabilitation and mental health hospitals provide interdisciplinary rehabilitation and mental health services for both inpatient and outpatient/day therapy programs
- ◆ **Regional medical and surgical services:** a range of surgical services including ophthalmology, general surgery, gynaecology, orthopaedics, plastic surgery, ear nose and throat and oral and maxillofacial are provided at Pulse's acute surgical and medical hospitals in regional New South Wales and Queensland
- ◆ **Specialist surgical services:** the recently opened Gold Coast Surgical Hospital provides a complete range of surgical services including, orthopaedic, general surgery, weight loss surgery, plastic and reconstructive surgery, facio-maxillary, urology and gastroenterology

4.2 History

A brief history of Pulse is set out in the table below:

Table 5: History of Pulse

Year	Event
2003	Pulse was listed on the ASX under the name Biometrics Limited. At the time of listing, Biometrics Limited was in the process of commercialising intellectual property in relation to biometrics authentication solutions for global security organisations.
2005	In late 2005, Biometrics Limited advised the market that management had been reviewing several alternative business investment opportunities and that they had been made aware of opportunities in the health care sector.
2007	In April 2007, Biometrics announced its intention to seek shareholder approval to change the company name to Pulse Health Group and enter the Private Hospital Market through the initial acquisition of Bega Hospital. Pulse also acquired Northside Nursing, a home nursing agency, Recruitment Specialist Group, a recruitment organisation specialising in allied health personnel and Care on Call, a community care business.
2008	Pulse completed the acquisition of Community Private Health Care Pty Ltd which included Cape Hawke Community Private Hospital in Forster (NSW), Cooloola Community Private Hospital in Gympie (QLD), South Burnett Community Private Hospital in Kingaroy (QLD) and Community Private Home Care in Forster, Taree and Tea Gardens (all NSW). In late 2008, Pulse acquired Westmead Rehabilitation Hospital.
2009	Pulse divested Northside nursing and the Care on Call community care business.
2012	Pulse acquired Eden Rehabilitation Hospital located in Cooroy QLD, 30 minutes from the previously acquired facility in Gympie. In November 2012, Pulse resolved to discontinue the operations of Recruitment Specialist Group.
2014	Pulse acquired North Mackay Private Hospital and announced an agreement to lease a new specialist surgical hospital on the Gold Coast with commissioning expected in late FY15 or early FY16.

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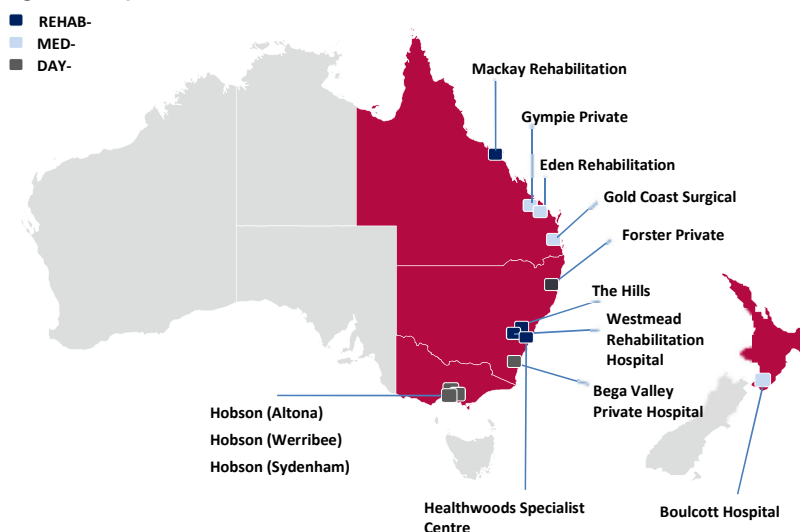
Year	Event
2015	Pulse divested its non-core community care business, North Coast Community Care and closed the loss making South Burnett Private Hospital in regional Queensland. Pulse acquired the Hills Clinic, a specialist private mental health hospital and put forward an unsuccessful takeover offer for Vision Eye Institute. Pulse also sold the freehold interest in the Gympie facility and opened the Gold Coast Surgical Hospital.
2016	Pulse acquired Boulcott Hospital in New Zealand and four day surgeries, one in NSW and three in Victoria, that were part of the Zenitas Group.

Source: Pulse

4.3 Facilities

Pulse currently operates eight hospitals and five day surgeries as set out on the map below.

Figure 9: Map of Pulse facilities



Source: Pulse

A brief summary of each of the facilities is provided in the table below.

Table 6: Pulse facilities

Facility	Location	Theatres	Beds	Services
Rehabilitation				
Westmead Rehabilitation Hospital	Western Sydney, NSW	n/a	65	Provide specialist rehabilitation inpatient and outpatient services including for neurological, orthopaedic, cardiac, cancer, reconditioning and musculoskeletal rehabilitation. Some of the facilities also have in house hydrotherapy pools.
Eden Rehabilitation Hospital	Near Noosa, QLD	n/a	48	
Mackay Rehabilitation Hospital	Mackay, QLD	n/a	34	

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Facility	Location	Theatres	Beds	Services
Mental Health				
The Hills Clinic	Kellyville, North West Sydney, NSW	n/a	59	Treatment for depression, anxiety and addiction as well as a range of mental health conditions including bipolar disorder, borderline personality disorder, ADHD and obsessive compulsive disorder.
Medical Surgical				
Forster Private Hospital	Mid North Coast, NSW	2	69	Pulse's surgical facilities provide a range of surgical services including orthopaedic, plastic and reconstructive, gynaecology, ear nose and throat, ophthalmology, dental, urology, cardiology, endoscopy and general surgery. Gympie and Forster also provide subacute medical care.
Gympie Private Hospital	Gympie, QLD	2	40	
Boulcott Hospital	Hutt Valley, Wellington Region, NZ	4	29	
Gold Coast Surgical Hospital	Gold Coast, QLD	6	24	
Day Surgery				
Bega Valley Private Hospital	Bega, NSW	1	n/a	Healthwoods and the Hobson Healthcare facilities are specialist endoscopy day surgeries that focus on the diagnosis and management of gastrointestinal and liver disorders. As well as providing endoscopy services, Bega also offers other surgical procedures including general surgery, breast surgery, skin lesion removal, orthopaedic surgery, diagnostic cardiac, oral and dental surgery and ophthalmology.
Healthwoods Day Surgery	Granville, Western Sydney, NSW	2	n/a	
Hobson Healthcare (Altona)	Melbourne, VIC	1	n/a	
Hobson Healthcare (Sydenham)	Melbourne, VIC	2	n/a	
Hobson Healthcare (Werribee)	Melbourne, VIC	2	n/a	

Source: Pulse

Further information in relation to each facility is provided below.

Westmead Rehabilitation Hospital ("Westmead")

Westmead has contracts with all health funds and provides both inpatient stay and day programs. Westmead has seven specialist rehabilitation consultants, supported by the NSW Health registrar training programme and other medical professional coverage as required. Westmead operates from leased premises with the current lease expiring in 2038 with a further two ten year options available.

Softening demand and increased competition resulted in a decline in performance in FY16. The introduction of new rehabilitation programs in FY17 is expected to contribute to a positive change in financial performance.

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Eden Rehabilitation Hospital ("Eden")

Eden is the only Level 5 stand-alone rehabilitation service between the north side of Brisbane and Cairns. Eden has three Specialist Rehabilitation Consultants, supported by the QLD Health Registrar Training Program and a full-time Senior Medical Officer. Eden has agreements with all private health funds and has Tier One Provider Status with the Department of Veterans' Affairs. Eden operates from leased premises with the current lease expiring in 2022 with a further ten year option available.

Similar to Westmead, softening demand and increased competition resulted in volatility in performance in FY16. The introduction of new rehabilitation programs is expected to stabilise performance in FY17.

Mackay Rehabilitation Hospital ("Mackay")

Mackay was acquired by Pulse in 2014 after being redeveloped by local property investors. Mackay is still in the ramp-up phase of its operations. Mackay operates from leased premises with the current lease expiring in 2026 with a further two ten year options available.

Mackay continued to ramp-up in FY16, reaching good utilisation levels in the second half of the year. However, the economic impact of the mining downturn continues to dampen demand for private health care services in the region.

The Hills Clinic

The Hills Clinic hospital was first opened in 2011 and has recently opened a young adult ward for 16-25 year olds known as YA@theloft. The Hills Clinic was acquired by Pulse in May 2015. The Hills Clinic operates from leased premises with the current lease expiring in 2025 with a further two ten year options available.

Utilisation in FY16 was high and new initiatives are expected to lead to full utilisation in FY17. There are plans for a brownfield expansion at this site and these plans will continue to be progressed in FY17.

Forster Private Hospital ("Forster")

Forster is the only private hospital within the Great Lakes and Manning regions. More than 3,000 operations are carried out at Forster each year. Forster also provides some rehabilitation services. Forster operates from leased premises with the current lease expiring in 2018 with a further six year option available.

Forster performed strongly in FY16, with increases in revenue and EBITDA driven by the employment of a new general manager and engagement of a rehabilitation physician. Initiatives in place to implement new rehabilitation programmes and attract additional surgeons are expected to further grow utilisation in FY17.

Gympie Private Hospital ("Gympie")

Gympie holds contracts with all health funds and is also contracted to provide services to eligible patients covered by the Commonwealth Department of Veterans Affairs. Gympie has on site pathology services operated by QML Pathology. Gympie operates from leased premises with the current lease expiring in 2030 with a further ten year option available.

In FY16 Gympie continued to grow the medical services available with a number of surgeons added during the year. However, due to the completion of a high volume public ophthalmology contract in early FY16, total revenue declined. In FY17 the growth in the number of surgeons is expected to underpin continued growth.

Boulcott Hospital ("Boulcott")

Boulcott was acquired by Pulse on 1 July 2016 Boulcott is co-located with the 300 bed public Hutt Hospital, with specialists operating at both hospitals. Boulcott operates from leased premises with the current lease expiring in 2036 with a further two ten year options available.

Boulcott did not contribute to Pulse's earnings in FY16. It is expected that Boulcott will deliver EBITDA of \$2.6 million in FY17.

Gold Coast Surgical Hospital ("Gold Coast")

Gold Coast opened on 31 August 2015 and is the first greenfield development undertaken by Pulse. Total capital investment to 30 June 2016 was \$16 million. Gold Coast operates from leased premises with the current lease expiring in 2030 with a further two ten year options available.

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It is anticipated that the total capital investment will increase to between \$17.5 and \$19.5 million in FY17, with operating losses of between \$1 million and \$3 million, as the operational ramp-up is continued. A profit is expected to be generated in FY18. As Gold Coast matures, a similar earnings profile to Boulcott is expected.

Bega Valley Private Hospital ("Bega")

Bega has recently negotiated a new lease on more favourable terms which will expire in 2018 and has a further four year option.

Bega provided minimal contribution to group profit in FY16 with similar results expected in FY17 due to high surgeon turnover. However, the rental reduction in the new lease should provide a modest benefit.

Healthwoods Specialists Centre ("Healthwoods")

Healthwoods contracts with all major private health funds and all doctors provide services with no gap billing. Currently there are nine consultant gastroenterologists, one colorectal surgeon and one accredited endoscopist. In addition there are six qualified doctors who administer sedation to patients. Healthwoods operates from leased premises with the current lease expiring in 2026 with a further ten year option available.

Healthwoods was acquired by Pulse in early 2016. Since acquisition Healthwoods has performed well and is expected to lift revenue and margin in FY17 due to an expected increase in utilisation from surgeon recruitment.

Hobson Healthcare (Altona, Sydenham and Werribee Endoscopy)

Hobson Healthcare is a group of three fully accredited endoscopy/day surgery centres. The Hobson Healthcare group was acquired by Pulse in early 2016. The Hobson Healthcare facilities operate from leased premises with current leases expiring in 2018 for Altona and 2026 from Sydenham and Werribee. The Altona lease has one five year renewal option and the other two sites have one ten year renewal option.

All sites are currently performing in line with the acquisition business case. Revenue and margin growth is expected at all sites in FY17 driven by increased business development resources. The relatively recent addition of a second theatre in Sydenham is ramping up with robust contribution expected by the second half of FY17. A second theatre is also available to be commissioned at Werribee once demand grows.

4.4 Directors and Senior Management

Name and Role	Experience
Phillipa Blakey Managing Director	Phillipa has been Pulse's CEO since June 2013 before being appointed Managing Director in May 2014. Phillipa is an experienced health care executive with a track record in strategy and performance improvement. She has previously held COO roles in NSW Health (10 hospitals across North Sydney and Central Coast) and the Amity Group (48 for profit nursing homes). Most recently Phillipa was CEO and director of Think Education Pty Ltd.
Matthew MacKay Chief Operating Officer	Matthew has held senior management position in public, private and military health facilities/hospitals over the past 17 years. Prior to joining Pulse, Matthew's most recent executive role was as General Manager / Director of Clinical Services for Surgery Centres of Australia. Matthew has previously held senior management positions within Macquarie Health Services, Healthscope, NSW Department of Health and the Sydney Private Hospital. Matthew was also a Captain in the Australian Army and has had multiple operational deployments in command positions to both Afghanistan and Timor.
Mark Hays Chief Financial Officer	Mark has held senior finance position in privately held companies across the hospitality, property and finance sectors. Prior to joining Pulse, Mark held a dual CFO/Investment Director role working with investments of Viburnum Funds in Perth. Mark is a Chartered Accountant and started his professional career at Ernst & Young providing taxation, accounting and business advisory services to large privately owned companies.

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Name and Role	Experience
Stuart James Chairman	Stuart is an experienced executive within the financial and health care sectors. Stuart's past roles have included Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank. Stuart has also held the executive role as CEO of the Mayne Group from January 2002 to January 2005. Prior to that Stuart was Mayne's Chief Operating Officer from July 2000.
Craig Coleman Director	Craig is a widely respected figure in Australia's financial sector and holds directorships in financial, health care and software companies. In 2007, Craig founded Viburnum Funds, a specialist investment firm focusing on private equity and stakeholder investments. He was previously a director of Lonestar Resources, Keybridge Capital and Amcom Telecommunications. Currently Craig is a Chairman of Rubik Financial Ltd and a Non-Executive director of Bell Financial Ltd, Bell Direct Ltd and Universal Biosensors Inc. Craig previously held several senior positions with ANZ Bank and is also the former Managing Director of Home Building Society Limited.
David Manning Director	David is an accomplished health care executive with over 35 years of health care leadership and management experience. David was previously Executive Vice President and Chief Operating Office of Baptist Hospital, a 750 bed facility located in Nashville, Tennessee. David is the co-founder of Practice Development Associates in the US, which constructed over 75 new surgery centres. Practice Development Associates grew to become AmSurg Corp, now an approximately US\$3.5 billion NASDAQ listed company. Until his retirement in 2014, David held the role of Executive Vice President and Chief Development Officer at AmSurg Corp.

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4.5 Financial Performance

The audited statements of financial performance for Pulse for the period FY14 to FY16 are set out in the table below.

Table 7: Historical financial performance

\$'000	FY14	FY15	FY16
Revenue	52,255	56,138	72,146
Other income	-	1,297	1,039
Expenses			
Employee benefits expense	(31,116)	(30,698)	(39,775)
Occupancy expenses	(5,015)	(5,737)	(10,973)
Medical consumable and supplies	(4,974)	(5,517)	(9,203)
Medical contractors	(2,103)	(2,092)	(2,536)
Professional fees	(202)	(306)	(313)
Other expenses	(4,773)	(5,180)	(6,743)
Acquisition, development and integration costs	(825)	(1,681)	(5,148)
Total expenses	(49,008)	(51,211)	(74,691)
EBITDA	3,247	6,224	(1,506)
Depreciation	(760)	(943)	(2,201)
Amortisation	-	(57)	(67)
EBIT	2,487	5,224	(3,774)
Interest income	95	130	238
Interest expense	(1,629)	(142)	(1,374)
Net profit before tax	953	5,212	(4,910)
Income tax benefit/(expense)	(78)	(1,618)	1,045
Loss from discontinued operations	-	(1,047)	-
Net profit after tax	875	2,547	(3,865)
Pro-forma EBITDA & EBIT			
Reported EBITDA	3,247	6,224	(1,506)
Acquisition activity expenses and associated costs	825	1,681	5,148
Greenfield loss from Gold Coast Surgical Hospital	-	-	6,073
Profit on sale of hospital freehold	-	(1,297)	-
Gain on remeasurement of deferred consideration	-	-	(1,039)
Provision for impairment of receivable	-	-	399
Provision for SGC	360	-	-
Relocation costs	118	-	-
Termination payments	130	-	-
EBITDA (established business)	4,680	6,608	9,075
Depreciation & amortisation	(760)	(1,000)	(2,268)
Greenfield depreciation & amortisation	-	-	950
EBIT (established business)	3,920	5,608	7,757
Pro-forma EBITDA margin	9%	12%	13%
Pro-forma EBIT margin	8%	10%	11%

Source: Pulse

In relation to Pulse's historical financial performance set out above we note:

- ♦ The increase in revenue over the period is primarily due to new acquisitions. In FY16, the majority of the uplift in revenue was due to the full year impact of the Hills Clinic acquisition

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- ◆ Other income in FY15 relates to the gain on the sale of the freehold of Gympie and in FY16 to an adjustment to the fair value of contingent consideration payable in respect of the acquisition of the Hills Clinic
- ◆ Employee benefits expense increased in line with revenue
- ◆ Occupancy expenses increased significantly in FY16 due to the acquisitions in FY16, the sale and lease back of the Gympie property and lease costs for Gold Coast which opened in August 2015
- ◆ Medical consumables and supplies expenses increased in line with revenue
- ◆ Medical contractors expense relates to health care professionals employed on a contract basis to meet specific demands at Pulse facilities
- ◆ Professional fees predominantly relate to accounting and legal expenses incurred in the ordinary course of business
- ◆ Other expenses increased in line with revenue
- ◆ Acquisition, development and integration costs primarily related to the acquisition of The Hills Clinic in FY15 and Zenitas Holdings Pty Ltd (four day surgeries) and Boulcott Hospital in FY16. \$1.1 million was also incurred in FY16 in relation the unsuccessful takeover bid for Vision Eye Institute
- ◆ Pro-forma EBITDA and EBIT is calculated in relation to established business, excluding losses attributable to Gold Coast and significant non-recurring transactions. The increase across the period is primarily due to the contribution of new facilities acquired

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4.6 Financial Position

The audited statements of financial position for Pulse as at 30 June 2014, 30 June 2015 and 30 June 2016 are set out in the table below.

Table 8: Historical financial position

\$'000	FY14	FY15	FY16
Current assets			
Cash and cash equivalents	7,007	3,491	16,648
Trade and other receivables	7,067	17,878	12,904
Inventories	854	721	1,352
Current tax assets	-	-	398
Total current assets	14,928	22,090	31,302
Non-current assets			
Property, plant and equipment	13,441	10,824	23,560
Deferred tax assets	2,753	2,148	3,716
Intangible assets	31,635	61,037	81,928
Total non-current assets	47,829	74,009	109,204
Total assets	62,757	96,099	140,506
Current liabilities			
Trade and other payables	(4,589)	(7,707)	(10,471)
Employee benefit liability	(3,124)	(2,945)	(3,609)
Borrowings	(90)	(90)	(822)
Current tax liability	(278)	(1,180)	-
Other current liabilities	(408)	(2,447)	(1,872)
Total current liabilities	(8,489)	(14,369)	(16,774)
Non-current liabilities			
Borrowings	(243)	(24,021)	(29,374)
Deferred tax liabilities	(4)	(50)	(44)
Employee benefit liability	(465)	(558)	(527)
Other liabilities	(1,482)	(3,653)	(3,736)
Total non-current liabilities	(2,194)	(28,282)	(33,681)
Total liabilities	(10,683)	(42,651)	(50,455)
Net assets	52,074	53,448	90,051

Source: Pulse

In relation to Pulse's historical financial position set out above we note:

- ◆ Of the \$16.6 million cash on hand as at 30 June 2016, \$15.4 million was subsequently used to fund the acquisition of Boulcott Hospital
- ◆ The increase in trade and other receivables in FY15 was due to the sale of the Gympie property for which a \$6.8 million receivable was recorded at financial year end
- ◆ Property, plant and equipment ("PP&E") primarily relates to the fit-out and equipment used at each of the facilities. PP&E decreased in FY15 after the sale of the Gympie property freehold and increased in FY16 due to a large number of acquisitions and opening of the Gold Coast facility
- ◆ Deferred tax assets primarily relate to tax losses and employee benefits whilst deferred tax liabilities relate to finance lease assets and prepayments

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- ◆ Intangible assets include goodwill acquired through business combinations, rights to operate hospitals and a small amount of software. The increase in intangibles across the periods is primarily due to the recognition of goodwill upon acquisition of new facilities
- ◆ Trade and other payables have increased as new facilities are acquired
- ◆ Current and non-current employee benefit liabilities relate to accrued annual and long service leave
- ◆ Current borrowings relate to finance leases and non-current borrowings predominantly relate to bank debt. Bank debt has increased over the period to fund acquisitions. As at 30 June 2016, Pulse had unused working capital facilities (overdraft, asset finance facility and credit card) of \$6.1 million
- ◆ Other current and non-current liabilities primarily relate to deferred consideration in relation to the acquisitions of The Hills Clinic in May 2015 and Hobson Healthcare (three facilities) in February 2016. A further \$3.9 million of deferred consideration was assumed on 1 July 2016 in relation to the acquisition of Boulcott Hospital

4.7 Outlook

In their FY16 annual report, Pulse has released guidance to the market on FY17 underlying EBITDA which is expected to be in the range of \$13.5 million to \$15.5 million (excluding additional investment in the Gold Coast Surgical Hospital). In relation to this guidance we note:

- ◆ The newly acquired Boulcott Hospital is expected to contribute \$2.6 million EBITDA in FY17
- ◆ The guidance includes the full year contribution of facilities acquired in FY16, being Healthwoods Specialist Centre and the three Hobson Healthcare facilities
- ◆ A continued ramp-up in operations is expected at the Mackay Rehabilitation Hospital
- ◆ Unfavourable trading conditions in the rehabilitation sector are expected to ease
- ◆ Cost reduction initiatives are being implemented

In relation to the Gold Coast Surgical Hospital, additional investment (predominantly operating losses) of between \$1.5 and \$3.5 million is expected in FY17. In addition, management are working through a number of business development opportunities and marketing initiatives which are expected to result in a profit being generated in FY18.

In the longer term, the ageing population, increasing incidences of chronic diseases, high levels of private health insurance and increasing pressure on the public health system are expected to support continued growth of the Pulse portfolio.

4.8 Capital Structure and Shareholders

Pulse currently has 257,079,905 ordinary shares on issue. The substantial shareholders of Pulse and their percentage shareholdings as at 25 January 2017 are set out in the table below.

Table 9: Substantial shareholders

Shareholder	Number held	% of total shares
Viburnum Funds Pty Ltd	49,596,514	19.3%
Sante Capital Investments	40,258,773	15.7%
Commonwealth Bank of Australia	19,812,694	7.7%
Macquarie Health Corporation	17,775,115	6.9%
Other shareholders	129,636,809	50.4%
Total	257,079,905	100.0%

Source: Pulse and ASX

Note: the total number of shares held as is per the most recent substantial shareholder notice (Form 604) lodged

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In addition to the ordinary shares on issue there are several classes of options and performance rights that have been issued to members of the senior management team and the Board, as described in the Scheme Booklet. Based on the Scheme Consideration of \$0.47 per share, the options are out of the money and the performance rights, which have a price hurdle, are unlikely to vest.

4.9 Share Price Performance

The figure below sets out the share price movement and volumes of shares traded for Pulse over the two years to 25 January 2017.

Figure 10: Two year Pulse share price performance



Source: FactSet

We note the following in relation to the share price of Pulse over the two years to 25 January 2017:

- ◆ The share price gradually increased between January 2015 and September 2015 to a high of \$0.58 on 21 September 2015
- ◆ After September 2015, the share price declined to around \$0.43 in May 2016
- ◆ On 25 May 2016, the share price fell dramatically to \$0.29 from a close of \$0.44 on 24 May 2016. This decline, and corresponding high volume of trading in the shares of Pulse, was likely attributable to an updated earnings guidance issued by Pulse on 25 May 2016 which revised down expected underlying EBITDA for FY16 from \$10.2 million to \$8.0 million to \$9.2 million
- ◆ After 25 May 2016, the share price continued to decline to a low of \$0.21 on 15 July 2016 before rallying to stabilise at around \$0.30 until the middle of October 2016. This sustained increase between the end of July and October was likely due to a public announcement on 25 July 2016 that Pulse had received a number of expressions of interest regarding the acquisition of Pulse
- ◆ The share price increased from a close of \$0.33 on 19 October 2016 to \$0.43 on 20 October 2016 which was the date on which the non-binding indicative scheme proposal from Health Care was announced to the market

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5 VALUATION METHODOLOGY

5.1 Available Valuation Methodologies

To estimate the fair market value of Pulse we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow ("DCF") method
- ◆ The capitalisation of future maintainable earnings ("CFME") method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied, at least as a secondary cross-check to a primary method. The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

5.2 Selection of Valuation Methodology

In selecting an appropriate valuation methodology to value Pulse we have considered the following factors:

- ◆ Pulse is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset based approach is not appropriate
- ◆ There are some listed companies with similar businesses to Pulse and a wide range of listed companies operating in comparable industries with similar profit drivers. We are also aware of a number of transactions involving similar companies. Thus we are able to apply the CFME approach
- ◆ Differing trading conditions, profitability and market position across Pulse's portfolio of facilities can be taken into accounting by conducting a CFME analysis on a facility by facility basis
- ◆ The majority of the Pulse facilities are mature operating businesses. For the facilities in ramp-up phase it is possible to reliably estimate their likely mature earnings profile. Given the mature nature of the business the use of the DCF method is unlikely to add value to our analysis
- ◆ Pulse shares are publicly traded on the ASX in an informed and reasonably liquid market. This allows an analysis of share market trading to be undertaken
- ◆ We are not aware of any reliable industry specific valuation methodologies appropriate to Pulse

Accordingly, we are of the opinion that the most appropriate methodology to value Pulse is the CFME method with an analysis of share market trading considered as a cross-check.

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6 VALUATION OF PULSE

6.1 Introduction to Capitalisation of Future Maintainable Earnings

Determining the fair market value of Pulse using the CFME approach requires consideration of the following factors:

- ◆ An appropriate earnings base for assessing maintainable earnings
- ◆ An appropriate level of maintainable earnings
- ◆ An appropriate earnings multiple
- ◆ The value of any non-operating assets and liabilities

These considerations are discussed in more detail below.

6.2 Bases of maintainable earnings

The first step in the valuation process is to determine the measure of earnings to be capitalised. The following measures of earnings are often used for business valuations:

- ◆ **Revenue:** mostly used for companies that are not expected to be profitable in the near term or as a cross-check of a valuation conclusion derived using another method
- ◆ **EBITDA:** most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement
- ◆ **EBITA:** in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business
- ◆ **EBIT:** whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is typically a non-cash accounting entry that may not reflect a need for future capital investment (unlike depreciation)
- ◆ **NPAT:** relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks)

Multiples of EBITDA, EBITA and EBIT are commonly used to value the whole business for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing a minority interest in a company as the investor has no control over the level of debt.

We have selected to analyse multiples of both EBITDA and EBIT because:

- ◆ Earnings multiples based on EBITDA and EBIT are not affected by different financing structures which impact multiples of net profit after tax
- ◆ Third party forecasts of EBITA are not readily available making EBITA multiples difficult to calculate without making assumptions about ongoing levels of depreciation (i.e. most brokers do not separately forecast depreciation and amortisation)

6.3 Level of maintainable earnings

When considering an appropriate level of future maintainable earnings, it is important to base the analysis on a maintainable level of earnings which includes adjustments for any non-recurring items as these items will not impact the ongoing earnings of the business.

In assessing an appropriate level of future maintainable earnings for Pulse as a whole, we have reviewed the business on a facility by facility basis. Due to the commercially sensitive nature of the historical and forecast financial performance of the individual facilities we are unable to include our detailed analysis in this report. In analysing maintainable earnings on a facility by facility basis, we had primary regard to the following factors:

- ◆ Historical earnings and management's FY17 forecast earnings
- ◆ Actual performance for the first five months of FY17 and the reasons for any variance to budget

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- ◆ The growth prospects for each facility including location, market conditions, competitive position and existing additional capacity
- ◆ Risks to achieving forecast earnings including market conditions, competition and access to specialist medical practitioners
- ◆ For those facilities that are yet to reach maturity, predominantly Gold Coast Surgical Hospital and Mackay Rehabilitation Hospital, we have considered the likely earnings profile of the facilities at maturity based on discussions with management and a review of similar facilities within the Pulse portfolio
- ◆ Management's earnings guidance and broker forecasts for FY17 as set out in the table below.

Table 10: Management FY17 earnings guidance and FY17 broker forecasts

\$'m	Date	Unadjusted		Adjusted	
		EBITDA	EBIT	EBITDA	EBIT
Management guidance	07-Oct-16	14.5	n/a	14.5	n/a
Broker 1	01-Sep-16	11.6	7.8	14.1	10.3
Broker 2	31-Aug-16	12.0	8.7	14.5	11.2
Average		12.7	8.3	14.4	10.8

Source: Pulse, various broker reports and Leadenhall analysis

In relation to the table above we note:

- Management's guidance for FY17 EBITDA is in the range of \$13.5 million to \$15.5 million. This mid-point of this range is presented in the table above. This does not include the expected additional investment in the Gold Coast facility in FY17 which they have estimated to be in the range of \$1.5 million to \$3.5 million
- The broker forecasts include expected investment at the Gold Coast facility. As such we have presented an adjusted forecast which adds back the expected additional investment at the mid-point of the management guidance (\$2.5 million)

Based on our analysis of maintainable earnings on a facility by facility basis and available earnings guidance for the business, we have selected the following maintainable earnings for the group:

Table 11: Selected maintainable earnings

\$'m	EBITDA		EBIT	
	Low	High	Low	High
Selected maintainable earnings	17.5	18.0	14.0	14.5

Source: Leadenhall analysis

It should be noted that the selected maintainable earnings in Table 11 above includes an estimate of the potential earnings of the Gold Coast Surgical Hospital and Mackay Rehabilitation Hospital once these facilities reach maturity. As such, the selected maintainable earnings is greater than management's earnings guidance and broker forecasts for FY17. Based on the average management and adjusted broker EBITDA, the contribution of mature facilities at the Gold Coast and Mackay implied by our selected maintainable EBITDA is between \$3.1 million and \$3.6 million. We do not consider this to be unreasonable in the context of the FY17 contribution of similar mature Pulse facilities.

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6.4 Earnings multiple

The multiples selected to apply to maintainable earnings implicitly reflect expectations about future growth, risk and the time value of money. Multiples can be derived from three main sources:

- ◆ Using the guideline public company method, market multiples are derived from the trading prices of companies that are engaged in the same or similar lines of business and that are actively traded on a public stock market
- ◆ The merger and acquisition method uses multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business
- ◆ It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations

As with our analysis of maintainable earnings, we have conducted our analysis of appropriate earnings multiples on a facility by facility basis taking into account the future growth prospects and risks of each facility. In particular we have considered:

- ◆ The growth prospects of each facility based on existing infrastructure
- ◆ The location of each facility (metro and regional), including the population demographics and any specific economic conditions, such as reliance on key industries, that could impact the level of facility utilisation in the future. The location of the facility also impacts the ability to attract quality specialists as the supply of specialists is lower in regional areas than metro areas
- ◆ The specialisation of each facility and trends in demand for these specialisations. In particular we have taken note of the recent downturn in demand in the rehabilitation sector and the risk that management initiatives to reverse this trend may not be effective
- ◆ The risk related to the ramp-up of the Gold Coast and Mackay facilities. In particular we have considered the risk that it will take a longer to achieve maturity than expected and that the mature earnings profile will be lower than expected
- ◆ The margins of each facility, as generally lower margin businesses tend to trade on lower multiples

In addition to analysis of the growth prospects and risks of each facility, we have reviewed both public company trading multiples and transaction multiples, including for the recently acquired Pulse facilities, in order to determine an appropriate earnings multiple to apply each facility. A summary of the relevant public company trading multiples and transactions multiples is set out in Table 12 and Table 13 below.

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The following table sets out the trading multiples of comparable public companies in the Australian private hospital and broader health care industry.

Table 12: Trading multiples of comparable companies

Company	Market cap (\$m)	EBITDA multiple			EBIT multiple		
		Historical	Current	Forecast	Historical	Current	Forecast
Private Hospitals							
Ramsay Health Care	14,588	14.2x	13.1x	12.1x	20.0x	18.3x	16.8x
Healthscope	3,956	12.9x	12.3x	11.2x	16.9x	16.6x	15.2x
Pulse Health ¹	68	6.9x	5.4x	4.4x	9.2x	7.7x	6.1x
Average		11.3x	10.3x	9.2x	15.4x	14.2x	12.7x
Other Health Care Services							
Sonic Healthcare	9,090	12.8x	12.2x	11.2x	15.7x	16.0x	14.5x
Primary Health Care	1,945	7.6x	7.6x	7.4x	13.3x	13.3x	12.7x
Virtus Health	485	9.4x	9.0x	8.4x	11.2x	10.8x	10.2x
Monash IVF Group	439	10.6x	10.1x	9.4x	11.6x	11.1x	10.4x
Integral Diagnostics	226	7.5x	7.0x	6.6x	10.0x	9.4x	8.8x
1300 Smiles	182	13.3x	12.2x	10.9x	16.0x	14.7x	13.1x
Capitol Health	60	6.7x	6.2x	5.5x	9.7x	8.7x	7.8x
Average		9.7x	9.2x	8.5x	12.5x	12.0x	11.1x
Median		9.2x	8.7x	8.0x	12.0x	11.3x	10.5x

Source: FactSet and Leadenhall analysis

1. The Pulse multiples are based on the enterprise value of Pulse prior to the announcement on 24 July 2016 of the receipt of expressions of interest to acquire Pulse. This has been done to ensure the Pulse multiples are reflective of minority rather than control multiples

It should be noted that these multiples are based on trading of minority shareholdings. In contrast, we are considering the value of Pulse on a control basis. Therefore, consideration must be given to observed control premiums in the Australian market and the impact on the minority trading multiples, of the comparable companies, if applied.

In addition to considering the differences between minority and control multiples, we have also considered the following factors in relation to the comparable company trading multiples:

- ◆ The most comparable companies to Pulse in terms of operations are Ramsay Health Care and Healthscope which both operate private hospital networks. However both of these companies are - significantly larger and more diversified (in terms of both location and services) than Pulse. All other things being equal, smaller companies tend to trade on lower multiples
- ◆ The most comparable companies in terms of size (based on market cap) are Capitol Health and 1300 Smiles. However, 1300 Smiles trades on multiples towards the higher end of the comparable companies despite its size which is likely due to its significant growth prospects driven by its business model of capitalising on the fragmented dentistry market to build a large corporate dentistry practice and relatively high margins compared to other industry participants
- ◆ Pulse operates on lower EBITDA and EBIT margins than the majority of the comparable companies which would lead to a lower multiple. The most comparable companies in terms of margins are Capitol Health and Ramsay Health
- ◆ The current year EBITDA multiples (based on FY17 forecast EBITDA) for the comparable companies with market capitalisation of under \$500 million (excluding 1300 Smiles which is considered to be an outlier) are between 5.4x and 10.1x. However, Monash IVF and Virtus Health have significantly higher margins than Pulse and as such it would be expected that Pulse would trade at the lower end of this range on a minority basis

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In addition to our analysis of trading multiples, we have also analysed relevant transaction multiples. The table below shows the historical and forecast (where available) EBITDA and EBIT multiples from transactions with publicly available data.

Table 13: Comparable transaction multiples

Target	Acquirer	Date	Target Description	Ent. Value	EBITDA Hist.	EBITDA Fore.	EBIT Hist.	EBIT Fore.
Australia & New Zealand								
Boulcott Hospital	Pulse	Jul-16	Private surgical hospital	15.3	8.9x	8.0x	n/a	n/a
Healthwoods & Hobson	Pulse	Mar-16	Four day surgeries	18.7	7.3x	n/a	n/a	n/a
Vision Eye Institute	Jangho	Sep-15	Day hospitals (eye surgery)	203.5	8.4x	7.8x	10.7x	n/a
The Hills Clinic	Pulse	Apr-15	Mental health clinic	27.7	8.5x	7.5x	n/a	n/a
Acurity Health Group	Evolution Healthcare	Jan-15	Operates three hospitals	148.4	8.6x	6.7x	15.3x	11.6x
Acurity Health Group	Austron	Sep-12	Operates three hospitals	113.8	8.5x	5.8x	14.2x	9.4x
Eden Hospital	Pulse	Jul-12	Rehabilitation hospital	6.3	8.3x	6.6x	n/a	n/a
Norfolk Investments	Acurity	Sep-11	Private surgical hospital	18.8	8.4x	8.2x	n/a	n/a
Average					8.3x	7.1x	13.4x	10.5x

Source: Pulse and FactSet

Notes:

1. Where a transaction consideration included an earnout component, the enterprise value excludes any earnout and the historical multiples are calculated pre-earnout. Where it is expected that an earnout component will become payable based on forecast earnings, the forecast multiples have been calculated on the enterprise value including the earnout
2. The enterprise value for the Boulcott and Acurity transactions have been translated from New Zealand dollars at the spot exchange rate on the transaction settlement date
3. The Acurity acquisition by Austron was for a 50.1% controlling stake

The observed multiples from comparable transactions are control multiples and include any premium paid for control. Therefore, no adjustment for a control premium is required.

In relation to the above transactions we note the following:

- ◆ The Pulse acquisitions were made on an arm's length basis and therefore provide direct comparisons for a number of Pulse facilities
- ◆ The Acurity transactions are most similar in size to Pulse although the Acurity portfolio is less diversified than Pulse as it is limited to three larger private hospitals as well as an investment in a specialist endoscopy and laparoscopy business
- ◆ The Vision Eye Institute transaction is the most comparable transaction in terms of portfolio scale in Australia. As at the transaction date vision operated nine day surgeries and 14 consulting clinics
- ◆ There is minimal difference between the multiples paid for single facilities compared to groups of facilities, suggesting that minimal consideration is given to potential portfolio premiums by market participants
- ◆ All of the comparable transactions relate to mature businesses or facilities with limited ramp-up risk

As noted above, we are unable to present our detailed analysis on a facility by facility basis due to the commercial sensitivity of this information. We have presented the weighted average of the selected individual facility multiples as set out in the table below.

Table 14: Selected earnings multiples

\$'m	EBITDA		EBIT	
	Low	High	Low	High
Selected earnings multiples	8.0	8.5	10.0	10.5

Source: Leadenhall analysis

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We consider these earnings multiples to be reasonable as:

- ◆ The selected multiples are at the lower end of the trading multiples of comparable companies on a minority basis¹, which is expected given Pulse's relatively small size and earnings margins which are at the low end of the comparable companies
- ◆ The selected multiples are in line with the most comparable transactions (Vision Eye Institute and the Acurity transactions) as well as the overall average historical EBITDA multiples

6.5 Non-operating assets and liabilities

The multiplication of maintainable earnings by a selected control multiple results in an enterprise or business value. In order to assess the equity value (value to shareholders) it is necessary to allow for non-operating assets and liabilities. These can be:

- ◆ **Surplus assets:** assets held by the company that are not utilised in its business operations
- ◆ **Net debt:** comprising of debt used to fund a business, less surplus cash held by the company
- ◆ **Non-operating liabilities:** liabilities of a company not directly related to its current business operations

Each of these factors are considered below.

Surplus assets

Surplus assets are assets owned by an entity that are not required to generate the earning of its business. This could be investments, unused plant and equipment held for resale, or any other asset of the company that is not required to run its operating business. We have not identified any surplus assets owned by Pulse as at 30 November 2016.

Net debt

The net debt of Pulse as at 30 November 2016 was as follows:

Table 15: Net debt

Net debt	Value \$'m
Cash and cash equivalents	2.6
Borrowings (current)	(0.8)
Borrowings (non-current)	(31.8)
Total	(30.1)

Source: Pulse

Non-operating liabilities

Non-operating liabilities are liabilities that are not related to the ongoing business operations, although they may relate to previous business activities, for example legal claims against the entity.

For the purposes of our analysis we have classified the expected FY17 additional investment in the Gold Coast facility as a non-operating liability as the selected maintainable earnings assumes a contribution from the Gold Coast once the facility achieves maturity. The expected FY17 Gold Coast investment is set out in the table below.

¹ Selected multiples are consistent with minority multiples of between 6.4x and 6.8x EBITDA and 8.0x and 8.4x EBIT assuming a control premium of 25%

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Table 16: Non-operating liabilities

Non-operating liabilities	Value \$'m	
	Low	High
Gold Coast FY17 investment	1.5	3.5
Total	1.5	3.5

Source: Pulse and Leadenhall analysis

We have assessed the potential additional FY17 capital investment and operational losses at the Gold Coast facility in line with management's guidance to the market. We understand that no additional losses are expected beyond FY17 and have reviewed management's forecasts for the Gold Coast facility which we consider to be reasonable.

Valuation summary

Based on the selected maintainable earnings and multiples, the resulting value of a Pulse share is set out in the table below.

Table 17: Summary of CFME analysis

\$'m	EBITDA		EBIT	
	Low	High	Low	High
Selected maintainable earnings	17.5	18.0	14.0	14.5
Selected earnings multiples	8.0x	8.5x	10.0x	10.5x
Enterprise value	140.0	153.0	140.0	152.3
Net debt	(30.1)	(30.1)	(30.1)	(30.1)
Non-operating liabilities	(3.5)	(1.5)	(3.5)	(1.5)
Equity value	106.4	121.4	106.4	120.7
Number of shares on issue	257.1	257.1	257.1	257.1
Value per share (\$)	0.41	0.47	0.41	0.47

Source: Leadenhall analysis

6.6 Analysis of Share Trading

Market trading in Pulse shares prior to the announcement of the Proposed Transaction provides an indication of the market's assessment of the value of Pulse on a minority basis. We have presented an analysis of recent trading in Pulse shares in Section 4.9 above. When assessing market trading it is necessary to consider whether the market is informed and liquid. In this regard we note:

- ◆ Pulse shares are fairly tightly held reducing the number of shares available for market trading. Daily values traded are often under \$100,000. This level is below the level at which large institutional investors may wish to trade and may be seen as a deterrent for other significant investors
- ◆ Pulse has continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities

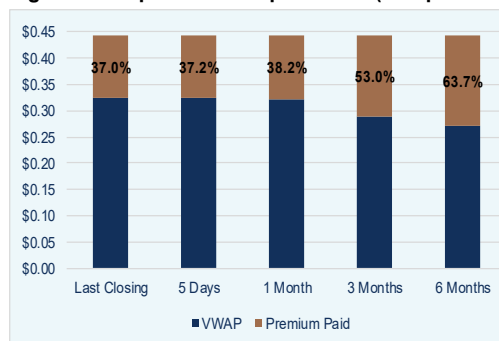
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As a result of these factors we consider the market trading to be reasonably informed and moderately liquid. We have therefore undertaken only a high level analysis of share market trading, by assessing the level of control premium implied by our valuation range compared to the volume weighted average price of a Pulse share over the six months prior to the Proposed Transaction being announced on 20 October 2016, as set out in the figure below.

Figure 11: Implied control premiums (mid-point of valuation range)



Source: FactSet and Leadenhall analysis

The control premium implied by the mid-point of our valuation range relative to the share price of Pulse over the periods set out in the adjacent figure ranges from 37.0% to 63.7%.

We note that on 25 July 2016, Pulse announced to the market that it had received unsolicited interest in acquiring Pulse. The share price increased 17% on the day after this announcement and maintained these gains until the announcement of the Proposed Transaction. Because of this announcement, the latest, five day and one month control premiums may be understated as the Pulse share price during this period likely already included some element of a premium for control.

Prior to the announcement of interest in a takeover transaction for Pulse at the end of July 2016, Pulse shares were trading at just over \$0.20 after the announcement of an earnings downgrade on 25 May 2016. This implies a control premium of approximately 110%.

The generally observed range for control premiums is between 20% to 40%. In addition, the average control premium observed for transactions in the health services sector in Australia between 2005 and 2015 was approximately 40% (excluding one outlier). Further information on observed control premiums is included in Appendix 4.

On this basis, the control premium implied by our assessed value of a Pulse share appears to be toward the high end of the generally observed range. We consider this to be reasonable as share trading is relatively illiquid and was impacted by negative sentiment following the May earnings downgrade.

6.7 Conclusion on Value

Based on our CFME and share trading analysis we have selected a valuation range for a share in Pulse, on a control basis, as set out in the table below.

Table 18: Selected valuation range

	Low	High
Selected valuation range	\$0.41	\$0.47

Source: Leadenhall analysis

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7 EVALUATION

7.1 Fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of a Pulse share on a control basis with the consideration offered. This comparison is set out in the table below.

Table 19: Assessment of fairness

	Low	High
Fair market value of a Pulse share	\$0.41	\$0.47
Consideration	\$0.47	\$0.47

Source: Leadenhall analysis

Since the consideration offered is within the assessed range of values of a Pulse share the Proposed Transaction is fair to Shareholders.

7.2 Reasonableness

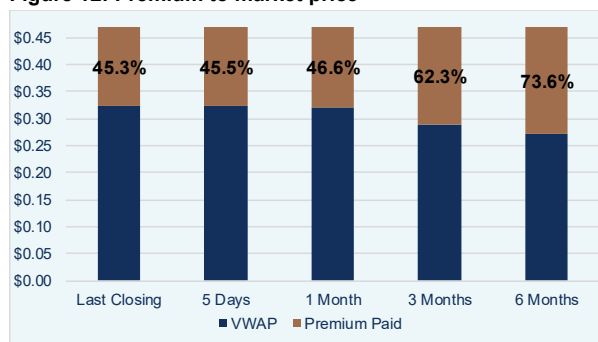
We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

Premium to market price

The Scheme Consideration reflects a meaningful premium to Pulse's share price immediately prior to the announcement of the Proposed Transaction as set out in the figure below:

Figure 12: Premium to market price



Source: FactSet and Leadenhall analysis

Note: Last closing is as at 19 October 2016 being the day prior to announcement of the Proposed Transaction

Share price in the absence of an alternative offer

In the absence of any alternative takeover offer, the only alternative to dispose of Pulse shares would be to sell them on market at a price which does not include a premium for control and would incur transaction costs (e.g. brokerage). If the Proposed Transaction is not approved, it is likely that Pulse shares would trade at a price below the Scheme Consideration, at least in the short term.

No superior alternative offer

We are not aware of any competing proposals to acquire Pulse by any third party. However, we note that there would be an opportunity for any other interested party to put forward a competing offer prior to the scheme meeting being held. In these circumstances Shareholders would need to consider the competing offer before concluding on the Proposed Transaction.

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Disadvantages

Loss of exposure to Pulse

If the Proposed Transaction is completed Shareholders would lose their exposure to the future performance of Pulse. We note that Pulse's management team has set out a medium-term plan for the business with the aim of material growth in profitability and potential expansion through acquisition in both Australia and New Zealand (neither of which are certain or without risk). Part of this growth is expected to be achieved through the maturity of the Gold Coast facility, which we have factored into our valuation analysis. If this plan is achieved, it is possible that the value of Pulse shares may exceed the consideration offered under the Proposed Transaction in the medium term. If the Proposed Transaction is completed, Shareholders will not be able to participate in this potential upside. However, we note that alternative investments are available for Shareholders who chose to invest in Pulse due to a positive view on the private hospital sector.

Synergy benefits

Given the complementary nature of Healthe Care's business with Pulse, it is likely that Healthe Care will be able to realise some synergy benefits from acquiring Pulse. Based on our analysis, the Scheme Consideration does not appear to include a material amount related to potential synergies as the consideration offered is consistent with our assessed value of a Pulse share excluding synergy benefits. However, in the absence of a competing proposal, it is common for an acquirer not to pay for potential synergies they may obtain in a business combination.

Tax implications

The acceptance of the Proposed Transaction may have varying tax implications for individual shareholders, which could result in immediate tax leakage that would otherwise be deferred in other transaction structures or in the absence of the Proposed Transaction. Since this may impact the net cash consideration received this may be a disadvantage for those shareholders that incur a taxation liability as a result of the Proposed Transaction. Shareholders should seek their own independent advice as to any potential tax implications of the Proposed Transaction.

Break fee

If the Proposed Transaction does not proceed, Pulse will be obliged to pay a break fee to Healthe Care of \$1.2 million (plus any GST) under certain circumstances as set out in the Scheme Booklet.

Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable.

7.3 Opinion

The Proposed Transaction is fair and reasonable to Shareholders and is therefore in the best interests of Shareholders.

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APPENDIX 1: GLOSSARY

Term	Meaning
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
Bega	Bega Valley Private Hospital
Boulcott	Boulcott Hospital
CFME	Capitalisation of future maintainable earnings
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eden	Eden Rehabilitation Hospital
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FOS	Financial Ombudsman Service
Forster	Forster Private Hospital
FSG	Financial Services Guide
FY	Financial year
Gold Coast	Gold Coast Surgical Hospital
Gympie	Gympie Private Hospital
Healthe Care	Healthe Care Australia Pty Ltd
Healthwoods	Healthwoods Specialist Centre
IER	Independent expert's report
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
Mackay	Mackay Rehabilitation Hospital
NPAT	Net profit after tax
Part 3	Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth)
Proposed Transaction	The scheme of arrangement between Pulse and its shareholders by which Healthe Care would acquire 100% of the shares in Pulse, for \$0.47 per Pulse share in cash, in accordance with the terms of the scheme implementation deed agreed between Healthe Care and Pulse
Pulse	Pulse Health Limited
RG111	Regulatory Guide 111: Content of Expert Reports
Scheme Booklet	Scheme Booklet issued by Pulse in relation to the Proposed Transaction
Scheme Consideration	Cash consideration of \$0.47 per Pulse share
Section 411	Section 411 of the Corporations Act 2001
Shareholders	Shareholders of Pulse
VWAP	Volume weighted average price
Westmead	Westmead Rehabilitation Hospital

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APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

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Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

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Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

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APPENDIX 3: COMPARABLE ENTITIES

The following company descriptions are extracted from descriptions provided by FactSet.

Company	Description
1300 Smiles Limited	1300 Smiles Ltd. owns and operates full-service dental facilities in Australia. Its services include dental surgeries, practice management and other services to self employed dentists who carry on their own dental practices. The company provides comprehensive services in the areas of marketing, administration, billing and collections and facilities certification and licensing to all participating dentists. It also provides all support staff, equipment and facilities and sources all consumable goods using the buying power which derives from such a large group of dental businesses. The company was founded by Daryl Shane Holmes on September 18, 2000 and is headquartered in Townsville, Australia.
Capitol Health Limited	Capitol Health Ltd. provides diagnostic imaging and related services. It provides general x-ray, magnetic resonance imaging, ultrasound, mammography, doppler, orthopantomogram, echocardiography, computer tomography, ct angiography, cone beam ct, nuclear medicine, bone densitometry and fluoroscopy services. The company was founded by Andrew Duncan Harrison on December 1, 2005 and is headquartered in Docklands, Australia.
Healthscope Ltd.	Healthscope Ltd. owns and operates hospitals, medical centers and engages in the provision of healthcare services. It provides services through healthscope hospitals, healthscope pathology and healthscope medical centers. The company operates its business through the following segments: Hospitals Australia, Medical Centres and Pathology International. The Hospitals Australia segment engages in the management and provision of surgical and non-surgical private hospitals. The Medical Centres engages in the provision of practice management services. The Pathology International engages in the provision of pathology services overseas. Healthscope was founded in 1985 and is headquartered in Melbourne, Australia.
Integral Diagnostics Ltd.	Integral Diagnostics Ltd. provides diagnostic imaging services to referrers and patients. It operates under different brands in each of these markets: Lake Imaging, South Coast Radiology and Global Diagnostics. The company was founded on April 29, 2008 and is headquartered in Ballarat West, Australia.
Monash IVF Group Ltd	Monash IVF Group Ltd. engages in the field of fertility services. It operates in the Monash IVF Group Australia and Monash IVF Group International segments. The Monash IVF Group Australia segment provides assisted reproductive services, ultrasound, and other related services. The Monash IVF Group International segment provides assisted reproductive services in Malaysia and party to a co-operative agreement with an assisted reproductive service provider in China. The company was founded on April 30, 2014 and is headquartered in Richmond, Australia.
Primary Health Care Limited	Primary Health Care Ltd. engages in the provision of healthcare technology solutions. It operates through the following segments: Medical Centres, Pathology, Imaging, and Health Technology (MedicalDoctor). The Medical Centres segment offers treatment rooms, radiology, physiotherapy, consultations, surgeries, and dental and eye clinics. The Pathology segment manages medical laboratories. The Imaging segment provides general x-ray, fluoroscopic screening, mammography, bone densitometry, angiography, ultrasound, echocardiography, nuclear medicine, and magnetic resonance imaging and computerised tomography scanning. The Health Technology (MedicalDoctor) segment develops, installs, and maintains health-relates software products. The company was founded by Edmund Gregory Thomas Bateman in 1985 and is headquartered in Leichhardt, Australia.

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Company	Description
Pulse Health Limited	Pulse Health Ltd. engages in the operation of private hospitals and related health care services. The company operates through the Private Hospitals and Community Care segments. The Private Hospital segment involves strategic acquisitions of privately run hospitals and day surgeries. The Community Care segment provides health services to patients, including nursing care, case management, respite care and allied health provisions. Its services include providing regional communities throughout Australia with a network of private hospitals and day surgeries, community home care services and also provide nursing, allied health and medical services to health facilities. The company was founded on March 18, 2003 and is headquartered in Sydney, Australia.
Ramsay Health Care Limited	Ramsay Health Care Ltd. is engaged in the provision of healthcare services and the operation of hospitals and day surgery facilities across Australia, France, the United Kingdom, Indonesia and Malaysia. It also provides a range of healthcare services, including day surgery procedures and complex surgeries, as well as psychiatric care and rehabilitation to public and private patients. The company was founded by Paul Joseph Ramsay in 1964 and is headquartered in Sydney, Australia.
Sonic Healthcare Limited	Sonic Healthcare Ltd. engages in the provision of medical diagnostics services. It operates through the following segments: Laboratory, Imaging, and Other. The Laboratory segment offers pathology and clinical services in Australia, New Zealand, the United Kingdom, the United States of America, Germany, Switzerland, Belgium, and Ireland. The Imaging segment includes diagnostic imaging services in Australia. The Other segment includes the corporate office function, medical centre operations and occupation health services, and other minor operations. The company was founded on September 25, 1934 and is headquartered in Sydney, Australia.
Virtus Health Ltd.	Virtus Health Ltd. provides healthcare services. It operates through the Healthcare Services Australia and Healthcare Services International segments. The company was founded on February 11, 2008 and is headquartered in Greenwich, Australia.

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APPENDIX 4: CONTROL PREMIUM

Background

The difference between the control value and the liquid minority value is the control premium. The opposite of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including:

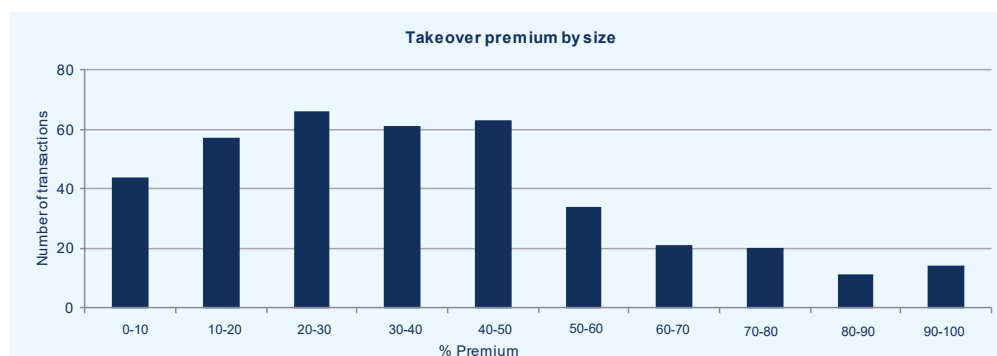
- ◆ Appoint or change operational management
- ◆ Appoint or change members of the board
- ◆ Determine management compensation
- ◆ Determine owner's remuneration, including remuneration to related party employees
- ◆ Determine the size and timing of dividends
- ◆ Control the dissemination of information about the company
- ◆ Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- ◆ Set the financial structure of the company (debt / equity mix)
- ◆ Block any or all of the above actions

The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Takeover Premiums

Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2005 and 2015. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.



Sources: FactSet, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premium is in the range of 20% to 30%, with approximately 60% of all premiums falling in the range of 0% to 40%.

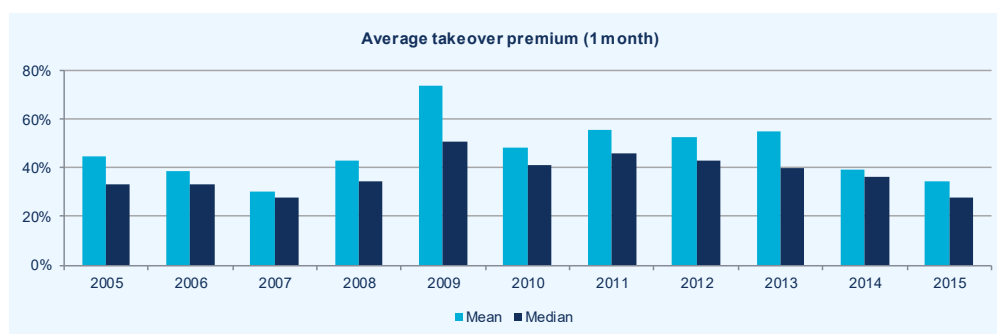
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Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

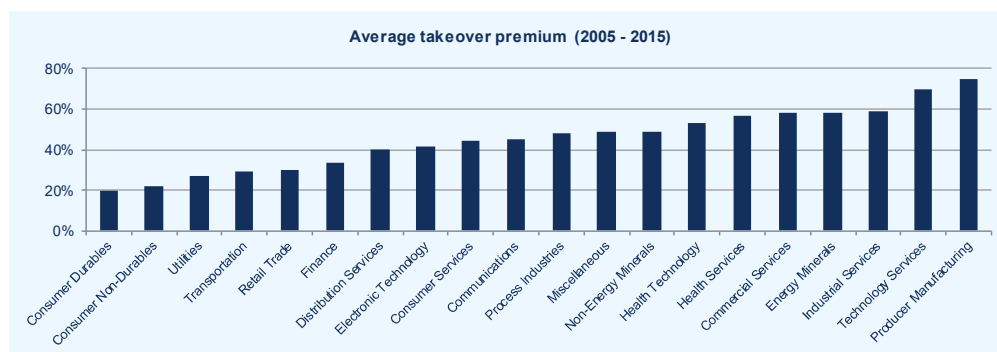


Sources: FactSet, Leadenhall analysis

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 50%.



Sources: FactSet, Leadenhall analysis

A number of industries have fairly high averages which have been impacted by specific transactions as set out below:

- ◆ **Producer Manufacturing:** includes two transactions with control premiums over 100%. The average premium is 25% lower when these transactions are excluded.
- ◆ **Technology Services:** includes four transactions with control premiums in excess of 100%. The average premium is 30% lower when these transactions are excluded.
- ◆ **Industrial Services:** includes two transactions with control premiums in excess of 100%. The average premium is 30% lower when these transactions are excluded.
- ◆ **Energy Minerals:** includes six transactions with control premiums in excess of 100%. The average premium is 20% lower when these transactions are excluded.
- ◆ **Commercial Services:** includes four transactions with control premiums in excess of 100%. The average premium is 20% lower when these transactions are excluded.
- ◆ **Health Services:** includes one transaction with a control premium of 183%. The average premium is 20% lower when this transaction is excluded.

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Key factors that generally lead to higher premiums being observed are more than one party presenting a takeover offer, favourable trading conditions in certain industries (e.g. recent mining and tech booms), when the price includes special value and scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- ◆ Deloitte - 20% to 40%
- ◆ Ernst & Young - 20% to 40%
- ◆ Grant Samuel - 20% to 35%
- ◆ KPMG - 25% to 40%
- ◆ Lonergan Edwards - 30 to 35%
- ◆ PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature published by leading valuation experts.

Alternative View

Whilst common practice is to accept the existence of a control premium, in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate view point to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. The reason we see some takeovers at a premium is that if a company is not well run, there is a control premium related to the difference in value between a hypothetical well run company and the company being run as it is.

Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

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Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- ◆ 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- ◆ 75% - power to pass special resolutions
- ◆ > 50% - gives control depending on the structure of other interests (but not absolute control)
- ◆ > 25% - ability to block a special resolution
- ◆ > 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- ◆ < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

50%

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares are listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

<20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran² notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

² Aswath Damodaran is a Professor of Finance at the Stern School of Business at New York University, where he teaches corporate finance and equity valuation. He has written several books on equity valuation, as well as corporate finance and investment. He is also widely published in leading finance journals.

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Key Factors in Determining a Reasonable Control Premium

Key factors to consider in determining a reasonable control premium include:

- ◆ **Size of holding** – Generally, larger stakes attract a higher control premium
- ◆ **Other holdings** – The dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- ◆ **Industry premiums** – Evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- ◆ **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- ◆ **Dividends** – a high dividend payout generally leads to a low premium for control
- ◆ **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- ◆ **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- ◆ **Shareholders agreement** - the existence and contents of a shareholders agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium

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APPENDIX 5: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for Pulse's shareholders for the purpose of assessing the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by Pulse being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to Pulse's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of Pulse's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for Pulse, when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of Pulse referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range.

Indemnities

In recognition that Leadenhall may rely on information provided by Pulse and their officers, employees, agents or advisors, Pulse has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Pulse and their officers, employees, agents or advisors or the failure by Pulse and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Dave Pearson, BCom., CA, CFA, CBV, M.App.Fin, Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Simon Dalgarno, B.Ec, FCA, F.FINSIA, Katy Lawrence, BCom., CA, GradDipAppFin.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard and the opinion is a Conclusion of Value.

Independence

Leadenhall has acted independently of Pulse. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.

8 AUSTRALIAN TAXATION IMPLICATIONS

A summary of the general Australian tax issues for Pulse Shareholders in relation to the Scheme is provided below. It does not constitute taxation advice and should not be relied upon as such. As the taxation consequences of the Scheme for each Pulse Shareholder will depend upon the Pulse Shareholder's particular circumstances, it is your obligation to make your own enquiries concerning the taxation consequences of accepting the Scheme.

If you are in doubt as to the course you should follow, you should consult your accountant, stockbroker, lawyer or other independent professional adviser.

The comments below provide a general outline of Australian tax issues for Pulse Shareholders that hold Pulse Shares on capital account. They do not apply to Pulse Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in shares, or hold Pulse Shares on revenue account. They also do not apply to shareholders whose gains and losses from shares are calculated under the Taxation of Financial Arrangements (TOFA) rules.

These comments are based on the law in Australia in force as at the date of the Scheme Booklet. The taxation laws of Australia and/or their interpretation may change prior to your acceptance or finalisation of the Scheme.

The precise implications will depend upon each Pulse Shareholder's specific circumstances. You should seek professional advice on the taxation implications of accepting the Scheme, taking into account your specific circumstances.

8.1 The Scheme

As noted in Section 3 'Key features of the Scheme', Pulse Shareholders will receive \$0.47 cash per Pulse Share if the Scheme's conditions precedent are satisfied and the Scheme is approved. From an Australian taxation perspective, your acceptance of the Scheme (assuming the conditions of the Scheme are satisfied and approved) will result in the disposal of your Pulse Shares to Health Care. The comments below provide a general outline of the Australian taxation implications for Pulse Shareholders in relation to their disposal of Pulse Shares.

8.2 Australian Taxation Implications for Australian Tax Residents

Disposal of Pulse Shares

The disposal of a Pulse Share by a Pulse Shareholder will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds received on disposal of the Pulse Share exceed the Pulse Shareholder's cost base in their Pulse Share (broadly the amount paid to acquire the Pulse Share). The capital proceeds on your disposal of your Pulse Shares is \$0.47 for each Pulse Share.

The CGT discount may be applied against the net capital gain where the Pulse Shareholder is an individual, complying superannuation fund or trustee, the Pulse Shares have been held for at least 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by 50% after offsetting current year or prior year capital losses (subject to the loss recoupment rules).

8 AUSTRALIAN TAXATION IMPLICATIONS

For a complying superannuation entity, any capital gain may be reduced by 33⅓%, after offsetting current year or prior year capital losses (subject to the loss recoupment rules).

A capital loss will be realised where the Pulse Shareholder's reduced cost base in their Pulse Share exceeds the capital proceeds received from disposal. Capital losses may only be offset against capital gains realised by the Pulse Shareholder in the same income year or future income years (subject to the loss recoupment rules).

8.3 Australian Taxation Implications for Non-residents for Australian Tax Purposes

Pulse Shareholders who are non-residents for Australian tax purposes (referred to below as non-resident Pulse Shareholders) should seek their own independent taxation advice regarding the taxation implications in their local jurisdiction, as well as the taxation implications in Australia in relation to the Scheme.

Disposal of Pulse Shares

Capital gains derived by a non-resident Pulse Shareholder on the disposal of their Pulse Shares will generally only subject to income tax in Australia if:

- more than 50% of the value of Pulse's assets is due to it holding direct or indirect interests in Australian real property; and
- the relevant non-resident Pulse Shareholder holds (together with their associates) 10% or more of the interests in Pulse at the time of the disposal, or held 10% or more of the interests for a period of 12 months at any time in the two years prior to disposal.

Healthe Care has confirmed to Pulse that it does not intend to withhold foreign resident capital gains withholding tax on the basis that the direct and indirect Australian real property interests of Pulse will comprise significantly less than 50% of the value of Pulse's assets. Pulse Shareholders do not need to complete and provide a foreign resident capital gains withholding tax vendor declaration.

8.4 Australian Goods and Services Tax

You should not be liable for Australian Goods and Services Tax directly in respect of your acceptance of the Scheme and the transfer of your Pulse Shares to Healthe Care.

You should separately consider the extent to which, if at all, you are entitled to recover any Australian Goods and Services Tax incurred on costs relating to the disposal of your Pulse Shares. This will depend on your particular circumstances.

8.5 Australian Stamp Duty Implications

You should not be liable for Australian Stamp Duty in relation to the disposal of your Pulse Shares subject to your specific circumstances. You may wish to consult your accountant, lawyer or other independent professional adviser in relation to Stamp Duty matters that are specific to your circumstances.

9 IMPLEMENTATION OF THE SCHEME

All dates referred to in this Section 9 are indicative only.

9.1 Scheme Meeting

Pulse Shareholders will be asked to approve the Scheme at the Scheme Meeting to be held at The Marra Room, The Grace Hotel, Level 2, 77 York Street, Sydney NSW 2000 at 9:30am (Sydney time) on 22 March 2017. The notice convening the Scheme Meeting is set out in Annexure C of this Scheme Booklet.

At the Scheme Meeting, Pulse Shareholders will be asked to consider and, if thought fit, to pass a resolution approving the Scheme. The resolution will only be passed if:

- (1) a majority in number (more than 50%) of Pulse Shareholders voting (whether in person, by proxy, by attorney or by corporate representative) vote in favour of the Scheme; and
- (2) at least 75% of the total number of votes cast on the resolution to consider the Scheme at the Scheme Meeting by Pulse Shareholders entitled to vote on the resolution are voted (whether in person, by proxy, by attorney or by corporate representative) in favour of the Scheme,

although the Court has a discretion to waive the test in Section 9.1(1) (being the Headcount Test).

9.2 Second Court Hearing

If:

- the Scheme is approved by the requisite majorities of Pulse Shareholders at the Scheme Meeting;
- all the Conditions Precedent to the Scheme and any other conditions to be imposed by the Court under Section 411(6) of the Corporations Act have been satisfied or waived; and
- the Court approves the Scheme,

Pulse will apply to the Court for orders approving the Scheme following the Scheme Meeting.

Each Pulse Shareholder has the right to appear at the Second Court Hearing in respect of the Scheme. The Second Court Hearing is currently scheduled to be held on 24 March 2017.

9.3 Effective Date

If the Court approves the Scheme, Pulse will lodge an office copy of the Court order approving the Scheme with ASIC. It is currently intended that Pulse will lodge this with ASIC on 27 March 2017.

The Scheme will become Effective on the date on which Pulse lodges the Court order approving the Scheme with ASIC. This date is referred to in this Scheme Booklet as the Effective Date.

9 IMPLEMENTATION OF THE SCHEME

9.4 Scheme Record Date

Pulse Shareholders will be Scheme Shareholders and entitled to receive the Scheme Consideration if they are registered as the holder of one or more Pulse Shares on the Scheme Record Date. The Scheme Record Date is 7.00pm (Sydney time) on the day that is 5 Business Days after the Effective Date and is currently expected to be 7.00pm (Sydney time) on 3 April 2017.

9.5 Determination of persons entitled to Scheme Consideration

(1) Dealings on or prior to the Scheme Record Date

For the purposes of establishing who Scheme Shareholders are, and therefore who is entitled to the Scheme Consideration, dealings in Pulse Shares or other alterations to the Pulse Share Register will be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Pulse Share Register as the holder of the relevant Pulse Shares on or before 7.00pm (Sydney time) on the Scheme Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Pulse Share Register is kept (and the transferee remains registered as at 7.00pm (Sydney time) on the Scheme Record Date).

(2) Dealings in Pulse Shares after the Scheme Record Date

If the Scheme becomes Effective, a holder of a Pulse Share (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Pulse Shares or any interest in them after the Scheme Record Date in any way except as set out in the Scheme and any such disposal will be void and of no legal effect whatsoever.

Pulse will not accept for registration, nor recognise for any purpose, any transmission or transfer application or other request in respect of Scheme Shares received after the times described in Section 9.5(1), other than a transfer of Pulse Shares to Healthe Care pursuant to the Scheme, or any subsequent transfer by Healthe Care to its successors in title.

9.6 Implementation Date

The Implementation Date is the date on which the Scheme will be implemented and is currently expected to be 6 April 2017.

Under the Deed Poll, Healthe Care must, no later than the Business Day before the Implementation Date, pay or procure the payment to Pulse of the total Scheme Consideration payable for all the Pulse Shares held by the Scheme Shareholders.

9 IMPLEMENTATION OF THE SCHEME

On the Implementation Date, subject to Healthe Care complying with its obligations to pay (or procure the payment of) the Scheme Consideration to Pulse, Pulse will dispatch payment (or procure dispatch of the payment) of the Scheme Consideration to each Scheme Shareholder for the Scheme Shares held by them. Scheme Consideration will be paid by dispatching cheques or making direct deposits into bank accounts nominated by Scheme Shareholders to Pulse on or before the Scheme Record Date (used for dividend payments). In the case of Pulse Shares held in joint names, the Scheme Consideration will be paid by electronic funds transfer, for Scheme Shareholders who have nominated a bank account to Pulse on or before the Scheme Record Date or by sending or procuring the dispatch of a pre printed cheque to the joint holders to their address or the address of the joint holder whose name appears first in the Pulse Share Register as at 7.00pm (Sydney time) on the Scheme Record Date.

9.7 Orders of a court or Governmental Agency notice

In the case of notice having been given to Pulse (or the Pulse Share Registry) of an order made by a court of competent jurisdiction or notice by a Governmental Agency that is legally binding:

- (1) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with clause 6.2 of the Scheme, then Pulse shall be entitled to make that payment (or procure that it is made) in accordance with that order or notice; or
- (2) which would prevent Pulse from dispatching payment to any particular Scheme Shareholder in accordance with clause 6.2 of the Scheme, or the payment is otherwise prohibited by applicable law, Pulse shall be entitled to retain an amount, in Australian currency, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.2 of the Scheme is permitted by law.

9.8 Scheme Shareholders' agreements, authority and acknowledgements

Under the Scheme, each Scheme Shareholder agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of the Scheme. Additionally, each Scheme Shareholder, without the need for any further act, on the Effective Date, irrevocably appoints Pulse and each of its directors, company secretaries and other officers (jointly and each of them severally) as its attorney and agent for the purpose of:

- (1) enforcing the Deed Poll against Healthe Care; and
- (2) executing any document or doing or taking any other act necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it, including (without limitation) executing the Share Scheme Transfer.

9 IMPLEMENTATION OF THE SCHEME

Under the Scheme each of the Scheme Shareholders irrevocably:

- (3) agrees to the variation, cancellation or modification of the rights attached to their Pulse Shares constituted by or resulting from the Scheme;
- (4) consents to Pulse doing all things necessary or expedient for or incidental to the implementation of the Scheme (whether on behalf of the Scheme Shareholders, Pulse or otherwise) and irrevocably consents to Pulse, as agent of each Scheme Shareholder, sub-delegating Pulse's functions under this Section 9.8(4) to any of Pulse's directors, company secretaries or other officers, jointly and severally; and
- (5) acknowledges that the Scheme binds Pulse and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that Scheme Meeting or vote against the Scheme at that Scheme Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Pulse.

9.9 Appointment of Healthe Care as sole proxy

Subject to receipt by Pulse of the aggregate Scheme Consideration for the Scheme Shares as contemplated by clause 6.1 of the Scheme and subject to the payment to the Scheme Shareholders of that aggregate Scheme Consideration in accordance with clause 6.2 of the Scheme, on and from the Implementation Date until Pulse registers Healthe Care as the holder of all of the Scheme Shares in the Pulse Share Register, each Scheme Shareholder:

- (1) is deemed to have irrevocably appointed Healthe Care and each of its directors and company secretaries, jointly and severally, as attorney and agent (and directs Healthe Care in such capacity) to appoint any director, officer or agent nominated by Healthe Care as its sole proxy and, where applicable, corporate representative, to attend shareholders' meetings of Pulse, exercise the votes attaching to Scheme Shares registered in the name of the Scheme Shareholder and sign any Pulse shareholders' resolution, and no Scheme Shareholder may itself attend or vote at any of those Pulse shareholders' meetings or sign any Pulse shareholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this Section 9.9);
- (2) must take all other actions in the capacity of the registered holder of Scheme Shares as Healthe Care directs; and
- (3) acknowledges and agrees that in exercising the powers referred to in Section 9.9(1), Healthe Care and any director, officer or agent nominated under Section 9.9(1) may act in the best interests of Healthe Care as the intended registered holder of the Scheme Shares.

9.10 Suspension of trading in Pulse shares

It is expected that suspension of trading in Pulse Shares on the ASX will occur from close of trading on the Effective Date. This is expected to occur on 27 March 2017.

9 IMPLEMENTATION OF THE SCHEME

9.11 Pulse to be delisted

After the Scheme has been fully implemented (including registration of the Share Scheme Transfer), on a date to be determined by Healthe Care, Pulse must apply:

- (1) for termination of the official quotation of Pulse Shares on ASX; and
- (2) to have itself removed from the official list of the ASX.

9.12 End Date

The Scheme will lapse and be of no further force or effect if:

- (1) the Effective Date does not occur on or before the End Date; or
- (2) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms, unless Healthe Care and Pulse otherwise agree in writing.

9.13 Key terms of the Scheme Implementation Deed

(1) *Introduction*

Pulse and Healthe Care entered into the Scheme Implementation Deed on 30 November 2016. The Scheme Implementation Deed contains terms and conditions that are common for these types of agreements, including conditions on which the Scheme will proceed and the obligations of both parties with respect to the implementation of the Scheme. A summary of the key terms of the Scheme Implementation Deed is set out in this Section 9.13. A copy of the Scheme Implementation Deed containing the full content of the terms summarised in this Section 9.13 is set out in Annexure D of this Scheme Booklet.

(2) *Conditions Precedent*

The Scheme will not become Effective and the obligations of the parties under the Scheme and Deed Poll (including the obligations of Healthe Care with respect to payment of the Scheme Consideration) are not binding, unless each of the following Conditions Precedent are satisfied or waived in accordance with the Scheme Implementation Deed and the Scheme:

(a) Regulatory approvals

Before 8.00am on the Second Court Date, Healthe Care receives:

- (i) informal merger clearance from the ACCC to the effect that ACCC does not propose to intervene or seek to prevent the acquisition of Pulse Shares by Healthe Care; and

9 IMPLEMENTATION OF THE SCHEME

(ii) from the NZ OIO any approval required under the New Zealand Overseas Investment Act 2005 and its regulations in respect of the acquisition of Pulse Shares by Healthe Care,

and neither that clearance nor that approval has been withdrawn, revoked or adversely amended before 8.00am on the Second Court Date.

As at the date of lodgement of this Scheme Booklet with ASIC for registration, Healthe Care has applied for all of the regulatory approvals, consents or relief which they consider are necessary or desirable for the purposes of implementing the Scheme, being the ACCC informal merger clearance and NZ OIO approval described above. Healthe Care's NZ OIO application has been accepted for processing by the NZ OIO and at the date of this Scheme Booklet, the application is in the full review and assessment phase. The ACCC informal merger clearance application is being considered by the ACCC, which involves a public consultation process which is anticipated to result in an ACCC decision by around 16 March 2016.

(b) Pulse Shareholder approval

Pulse Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act.

(c) Independent Expert

The Independent Expert concludes that the Scheme is in the best interest of Pulse Shareholders and the Independent Expert does not change or withdraw its recommendation prior to 5.00pm on the day before the Second Court Date.

(d) Court approval

The Court approves the Scheme in accordance with Section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Pulse and Healthe Care.

(e) Court order lodged with ASIC

The Scheme becoming Effective by the End Date or such later date as Healthe Care and Pulse agree.

(f) No Prescribed Event

No Prescribed Event occurs between (and including) 30 November 2016 and 8.00am on the Second Court Date.

9 IMPLEMENTATION OF THE SCHEME

(g) No Material Adverse Change

No Material Adverse Change occurs between (and including) 30 November 2016 and 8.00am on the Second Court Date.

(h) Further Court conditions

The satisfaction or waiver of such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Healthe Care and Pulse (each acting reasonably).

(i) No termination

As at 8.00am on the Second Court Date, the Scheme Implementation Deed and Deed Poll having not been terminated.

(j) Restraints

No law, rule, regulation, restraining order, preliminary or permanent injunction or other legally binding order issued by any court of competent jurisdiction or Governmental Agency preventing or restraining implementation of the Transaction is in effect as at 8.00am on the Second Court Date.

The Conditions Precedent in Sections 9.13(2)(a)(i), (f) and (g) are for Healthe Care's benefit and may only be waived by Healthe Care. The Conditions Precedent in Sections 9.13(2)(c) and (j) are for the benefit of both Pulse and Healthe Care and may only be waived by both of them giving written consent.

(3) Warranties

Healthe Care has given warranties to Pulse on Pulse's own behalf and separately as trustee or nominee for each of the Pulse Indemnified Parties (as defined in the Scheme Implementation Deed). Pulse has also given warranties to Healthe Care. The relevant warranties are set out in clauses 13.1 and 13.2 of the Scheme Implementation Deed.

Subject to the Corporations Act, the Healthe Care Indemnified Parties and Pulse Indemnified Parties are released from various potential claims such as those otherwise arising from breaches of warranties except where the relevant Healthe Care Indemnified Party or Pulse Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud.

9 IMPLEMENTATION OF THE SCHEME

(4) Termination

(a) Termination for breach: Either of Pulse or Healthe Care can terminate the Scheme Implementation Deed prior to 8.00am on the Second Court Date if:

- (i) from the perspective of Healthe Care, Pulse has materially breached the Scheme Implementation Deed or, from the perspective of Pulse, Healthe Care has materially breached any material clause of the Scheme Implementation Deed or there has been a material breach of a material representation or warranty given by that other party;
- (ii) the non-defaulting party has given notice to the defaulting party specifying the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed; and
- (iii) if the material breach is capable of remedy, it was not remedied within 5 Business Days from the date of notice received under (ii) above, or any shorter period ending at 5.00pm on the last Business Day before the Second Court Date.

(b) No fault termination: Either of Pulse or Healthe Care can terminate the Scheme Implementation Deed:

- (i) if the Effective Date for the Scheme has not occurred, or will not occur, on or before 31 May 2017 or such other date as agreed in writing between Healthe Care and Pulse (**End Date**); or
- (ii) provided the terminating party has complied with certain obligations, if a Condition Precedent is not met (or waived) and the parties are unable to reach agreement within a specified time (as described in clause 3.8(3) of the Scheme Implementation Deed) or by the End Date.

(c) Additional Pulse termination rights: Pulse may terminate the Scheme Implementation Deed by giving written notice to Healthe Care if:

- (i) at any time before 8.00am on the Second Court Date:
 - (A) at least a majority of the Pulse Board:
 - (I) fails to make or maintain the recommendation that Pulse Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert concluding and continuing to conclude that the Scheme is in the best interests of Pulse Shareholders (**Recommendation**) or withdraws or adversely modifies the Recommendation; or
 - (II) recommends that Pulse Shareholders accept, vote in favour of, or otherwise support a Competing Proposal which is announced or made after 30 November 2016, as permitted under clause 7.1(2) of the Scheme Implementation Deed; and
 - (B) Pulse has complied with all of its obligations under clause 11 of the Scheme Implementation Deed (which relates to payment by Pulse of a break fee as summarised in Section 9.13(5)); or

9 IMPLEMENTATION OF THE SCHEME

(ii) in the event that:

- (A) Pulse has received a Competing Proposal;
- (B) Pulse has given Healthe Care the opportunity to make a counter proposal amending the terms and conditions of the Transaction in response to the Competing Proposal (as described in Section 9.13(6)(e) below) (**Counter Proposal**) and the board of Pulse have reviewed the Counter Proposal in good faith; and
- (C) the Pulse Board determine that the Counter Proposal (or if Healthe Care does not submit a Counter Proposal, the Transaction) would not be more favourable to Pulse Shareholders than the Competing Proposal.

(d) Additional Healthe Care termination rights: Healthe Care may terminate the Scheme Implementation Deed by written notice to Pulse at any time before 8.00am on the Second Court Date if any Pulse Director:

- (i) fails to make or maintain the Recommendation or withdraws or adversely modifies the Recommendation; or
- (ii) recommends that Pulse Shareholders accept, vote in favour of, or otherwise support a Competing Proposal which is announced or made after 30 November 2016.

(5) Reimbursement of costs

Pulse has agreed to pay Healthe Care a cash reimbursement fee of \$1,200,000 (plus any GST) (**Break Fee**), within 5 Business Days after receiving a written demand from Healthe Care, if any of the following circumstances occur after 30 November 2016:

(a) Change of recommendation: any of the Pulse Directors fails to make or maintain the Recommendation. However, the Break Fee is not payable where a Pulse Director changes his or her Recommendation because the Independent Expert does not conclude that the Scheme is in the best interest of Pulse Shareholders or withdraws or changes such conclusion, other than where the reason for that opinion is a Competing Proposal;

(b) Competing Proposal completes: either:

- (i) a Competing Proposal is announced during the Exclusivity Period and, within 12 months of such announcement:
 - (A) the Third Party proposing the Competing Proposal acquires a Relevant Interest in at least 50% of the Pulse Shares; or
 - (B) that Competing Proposal is (or becomes) free from any defeating conditions (or if the Competing Proposal is a scheme of arrangement, the scheme becomes effective), or that Competing Proposal is implemented or consummated; or
- (ii) all of the following occur:

9 IMPLEMENTATION OF THE SCHEME

(A) the Scheme is voted on, but not approved, by the requisite majorities of Pulse Shareholders at the Scheme Meeting;

(B) any Sante Capital Party voted against the Scheme at the Scheme Meeting; and

(C) within 12 months after the Scheme Meeting, there exists a Competing Proposal (except a Competing Proposal under which a Relevant Interest of less than 50% in Pulse Shares is acquired that is not recommended or otherwise publicly supported by a majority of the Pulse Board) which involves any one or more of the Sante Capital Parties (individually or in aggregate) and that Competing Proposal becomes unconditional or, in the case of a scheme of arrangement, becomes effective;

(c) Competing Proposal recommended: If, before the date on which the Scheme Implementation Deed is terminated, any Pulse Director recommends that Pulse Shareholders accept, vote in favour of or otherwise support a Competing Proposal which is announced or made after 30 November 2016; or

(d) Material breach: Pulse is in material breach of the Scheme Implementation Deed and the Scheme Implementation Deed is terminated,

except that the Break Fee is not required to be paid by Pulse if:

(e) the Scheme becomes Effective;

(f) any member of the Healthe Care Group acquires a Relevant Interest in more than 50% of the Pulse Shares; or

(g) any member of the Healthe Care Group acquires all or substantially all of the business or assets of the Pulse Group,

or the Break Fee is refundable, to the extent that the Break Fee is found by the Takeovers Panel or a court to be unacceptable or unlawful and the time period for lodging an application for review or a notice of appeal (as applicable) has expired without such an application or notice having been lodged.

The Break Fee is also not payable merely due to Pulse Shareholders voting against the Scheme at the Scheme Meeting.

(6) Exclusivity

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of Healthe Care. These arrangements are in line with market practice in this regard and are summarised as follows:

(a) No existing discussion: Pulse warrants to Healthe Care that, as at 30 November 2016, neither it nor any of its Representatives were in negotiations or discussion in respect of any Competing Proposal, nor any proposal likely to reduce the prospects for the Transaction succeeding.

9 IMPLEMENTATION OF THE SCHEME

(b) No shop: During the Exclusivity Period, Pulse must ensure that neither it nor any of its Representatives, directly or indirectly, solicits, initiates, invites or otherwise encourages any enquiries, negotiations or discussions in relation to, or with a view to obtaining, or which would reasonably be expected to encourage or lead to the making of, any expression of interest, offer or proposal from any person in relation to a Competing Proposal, or communicate to any person an intention to do any of the foregoing.

(c) No talk: During the Exclusivity Period, Pulse must ensure that neither it nor its Representatives directly or indirectly:

- (i) facilitates, enters into or otherwise participates in any negotiations or discussions with any person regarding a Competing Proposal;
- (ii) communicates to any person an intention to do any of the things referred to in paragraph (i) immediately above;
- (iii) approves or recommends a Competing Proposal; or
- (iv) gives any Third Party any information relating to Pulse or any of its Subsidiaries or any of their businesses or operations in connection with or for the purposes of an actual, proposed or potential Competing Proposal.

The restrictions and obligations in this Section 9.13(6)(c) will not apply to the extent that they would restrict Pulse or a Pulse Director or Representative of Pulse from taking any action with respect to a written bona fide offer or proposal for a Competing Proposal which was not directly or indirectly brought about by, or facilitated by, a breach of the 'no shop' provisions of the Scheme Implementation Deed if continued compliance with this Section 9.13(6)(c) would, in the opinion of the Pulse Board acting reasonably and in good faith after considering advice from Pulse's financial and legal advisers, result or be likely to result in a breach of the Pulse Directors' statutory or fiduciary duties.

(d) Notification: If Pulse or any of its Representatives are approached by any person during the Exclusivity Period to discuss or engage in any activity in relation to an actual, proposed or potential Competing Proposal, Pulse must notify Healthe Care within 24 hours in writing of:

- (i) the identity of the persons making the approach and making or proposing the Competing Proposal, together with the key terms of the Competing Proposal;
- (ii) any approach, inquiry or proposal made to, and any attempt or any intention on the part of any person to initiate or continue any negotiations or discussions with, that party or any of its Representatives with respect to, or that could reasonably be expected to lead to, any Competing Proposal, whether unsolicited or otherwise;
- (iii) any request for information relating to Pulse or any of its Subsidiaries or any of their businesses or operations or any request for access to the books or records of Pulse or any of its Subsidiaries in relation to a Competing Proposal; and
- (iv) any breach by Pulse of the obligations summarised in this Section 9.13(6).

9 IMPLEMENTATION OF THE SCHEME

(e) Matching Right: Pulse is prohibited from entering into an agreement to undertake a Competing Proposal and must ensure that none of the Pulse directors publicly recommend a Competing Proposal unless Pulse has given Healthe Care at least 5 Business Days to provide a counter proposal that amends the terms of the Scheme, and the board of Pulse must review the counter proposal in good faith.

These exclusivity arrangements are set out in full in clause 9 of the Scheme Implementation Deed in Annexure D of this Scheme Booklet.

(7) *Cap on liability*

Pulse's sole and absolute liability for a breach of the Scheme Implementation Deed will be limited to a maximum of \$1,200,000 (plus any GST), being the value of the Break Fee, in aggregate for all Claims. Healthe Care's maximum potential liability for a breach of the Scheme Implementation Deed (in aggregate for all Claims) is limited to \$120,827,555.

However, this does not exclude the availability of equitable remedies (including the right to seek specific performance of the Scheme Implementation Deed).

(8) *Run-off insurance policy*

Pursuant to the Scheme Implementation Deed, Pulse may, prior to the Implementation Date, enter into a run-off insurance policy in respect of any Officer of Pulse and its Subsidiaries for a 7 year period (or longer if Healthe Care agrees, acting reasonably), and that any actions to facilitate that insurance or in connection therewith will not be a Prescribed Event or breach any provision of the Scheme Implementation Deed.

9.14 Deed Poll

Under the terms of the Deed Poll, Healthe Care has agreed in favour of Scheme Shareholders to pay or procure the payment of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme. The Deed Poll may be relied upon by any Scheme Shareholder, despite the fact that they are not a party to it. The Deed Poll is governed by the laws of New South Wales and is set out in full in Annexure A of this Scheme Booklet.

9.15 Confidentiality Agreement and standstill

Healthe Care and Pulse entered into a Confidentiality Agreement which contains certain protections of Pulse's confidential information.

9 IMPLEMENTATION OF THE SCHEME

Pursuant to that agreement, Healthe Care agreed that except to the extent Pulse agrees otherwise (such as under the Scheme Implementation Deed), during the 12 months following 21 August 2016 Healthe Care will not, and will ensure that none of its associates (as defined in section 12 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to the Confidentiality Agreement and Healthe Care was the designed body) will:

- (1) acquire, agree to acquire or make any invitation, offer or proposal to acquire:
 - (a) a Relevant Interest in any Pulse Shares or other Pulse securities or any rights or options to acquire such securities;
 - (b) other than in the ordinary course of business, any assets of Pulse or any of its Related Bodies Corporate; or
- (2) advise, assist or encourage any other person to do any of the things referred to in paragraph (1) immediately above.

10 ADDITIONAL INFORMATION

10.1 Pulse Directors' recommendation

The Pulse Directors unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders. The reasons for the Pulse Directors' recommendation and other matters that you may wish to consider are set out in Section 4 of this Scheme Booklet.

In the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders, each of the Pulse Directors intends to vote (or procure the voting of) all Pulse Shares held or controlled by them in favour of the Scheme at the Scheme Meeting.¹⁰ The interests of Pulse Directors in Pulse Shares are set out in Section 10.6 of this Scheme Booklet.

The Pulse Directors believe that the reasons for Pulse Shareholders to vote in favour of the Scheme outweigh the reasons to vote against the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders. These reasons and other relevant considerations are set out in Section 4 of this Scheme Booklet. You should also read the Independent Expert's Report which is set out in full in Section 7.

10.2 Intentions of Pulse Directors concerning the business of Pulse

If the Scheme is implemented, the existing Pulse Directors will resign from the Pulse Board provided that a proper Board is constituted at all times. Accordingly, the existing Pulse Directors are not able to make any statements of intentions regarding:

- (1) the continuation of the Pulse business or how the business will be conducted after the implementation of the Scheme;
- (2) any major changes to the Pulse business, including any redeployment of the fixed assets of Pulse; or
- (3) the future employment of present Pulse employees.

Healthe Care has provided information in respect of its intentions for Pulse's operations in Section 6 of this Scheme Booklet.

In the event that the Scheme does not proceed, it is expected that Pulse would continue to focus on its current business model and strategy as further described in Section 3.14. The Pulse Directors have no present intentions to make major changes to the business of the Pulse Group (beyond the strategy of potential acquisitions referred to in Section 3.14 and in part 7.2 of the Independent Expert's Report), or to redeploy the assets of the Pulse Group, or to terminate the employment of the present employees of the Pulse Group generally.

10.3 Material changes in the financial position of Pulse

Within the knowledge of Pulse, the financial position of Pulse has not materially changed since 30 June 2016, being the date of the last balance sheet sent to Pulse Shareholders in accordance with Section 314 or 317 of the Corporations Act.

¹⁰ Pulse Director Craig Coleman is the Executive Chairman of and owns a 20% interest in Viburnum, which holds Voting Power of approximately 19.29% in Pulse (comprising 49,596,514 Pulse Shares). The above statement of Pulse Directors' voting intentions does not relate to the Pulse Shares held by Viburnum. Please refer to Section 3.5 for details of Viburnum's voting intention.

10 ADDITIONAL INFORMATION

10.4 Capital structure of Pulse

There are currently 257,079,905 Pulse Shares on issue. Pulse's paid up capital is \$98,046,000.

There are currently 315,000 Pulse Performance Rights on issue. See Section 10.8 for information in relation to the Pulse Performance Rights.

There are currently 1,000,000 Pulse Options on issue. See Section 10.9 for information in relation to the Pulse Options.

10.5 Substantial holdings

As at 25 January 2017, being the last practicable day before the date of this Scheme Booklet, the following persons had notified Pulse that they had substantial holdings (as defined in the Corporations Act) in 5% or more of Pulse Shares:

Name	Pulse Shareholding	%
Viburnum Wyllie Funds Management Pty Ltd ACN 125 989 693 Wyllie Group Pty Ltd ACN 008 763 120 Mrs Rhonda Wyllie	49,596,514	19.29%
Sante Capital Investments Nominees Pty Ltd as trustee of the Sante Capital No. 1 Trust Sante Capital Investments Pty Ltd Lemeurice Pty Ltd Derrough Pty Limited Leanne Marie Griffiths Pauline Ann Fitzpatrick ROC Capital Pty Limited as trustee of each of the ROC Private Equity (VicSuper) Fund, the CBUS Private Equity Trust and the ACT Private Equity No.3 Fund ROC Partners Pty Limited	40,258,773	15.66%
Commonwealth Bank of Australia and its related bodies corporate	19,812,694	7.70%

10 ADDITIONAL INFORMATION

Name	Pulse Shareholding	%
Throvena Pty Ltd	17,775,115	6.91%
Macquarie Health Corporation Ltd		

10.6 Marketable securities held by Pulse Directors

No marketable securities of Pulse or other Pulse securities are held by or on behalf of Pulse Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet other than as listed below:

Name	Pulse Shares	Pulse Performance Rights	Pulse Options
Mr Stuart James ¹	3,906,293	Nil	Nil
Ms Phillipa Blakey ²	13,638	175,000	Nil
Mr Craig Coleman ^{3, 4}	2,101,750	Nil	Nil
Mr David L. Manning ⁵	1,500,000	Nil	1,000,000

Notes:

1. All of the Pulse Shares next to Stuart James' name above are held by him and his wife as trustees of the SB & GD James Superannuation fund.
2. All of the Pulse Shares and Pulse Performance Rights next to Phillipa Blakey's name above are held directly by her. Her 175,000 Tranche 4 Pulse Performance Rights carry an expiry date of 31 December 2017 and a price hurdle of greater than \$0.84 per Pulse Share. Refer to section 10.8 for further information about the effect of the Scheme on the Pulse Performance Rights. Ms Blakey previously held 525,000 Tranche 3 Pulse Performance Rights which no longer exist as they expired on 31 December 2016.
3. Of the number of Pulse Shares next to Craig Coleman's name above, 875,000 Pulse Shares are held by Craig Coleman and 1,226,750 Pulse Shares are jointly held by Craig and Phyllis Coleman ATFT Coleman Super Fund.
4. This excludes Pulse Shares comprising the Voting Power of Viburnum as described in Section 3.5.
5. All of the Pulse Shares and Pulse Options next to David Manning's name above are held directly by him. Refer to section 10.9 for further information about the effect of the Scheme on the Pulse Options.

There has been no dealing by any of the Pulse Directors in any marketable securities of Pulse in the four months preceding 25 January 2017, the last practicable trading day before the date of this Scheme Booklet.

10.7 Pulse Directors' dealings in Pulse Shares

No Pulse Director acquired or disposed of a Relevant Interest in any Pulse Shares in the four-month period ending on the date immediately before the date of this Scheme Booklet.

10 ADDITIONAL INFORMATION

10.8 Pulse Performance Rights

As at the date of this Scheme Booklet, the Pulse Performance Rights on issue are as follows:

Pulse Performance Rights Holder	Tranche 4 Pulse Performance Rights ¹
Phillipa Blakey (Pulse's Managing Director and CEO) ²	175,000
Mark Hays (Pulse's CFO)	70,000
Matthew Mackay (Pulse's COO)	70,000
Totals	315,000

Notes:

1. Tranche 4 Pulse Performance Rights have a price hurdle requiring that the 30 day volume weighted average price on ASX for a Pulse Share up to and including 31 December 2017 is greater than \$0.84 per Pulse Share before they can vest into one Pulse Share per Tranche 4 Pulse Performance Right. If the price hurdle is not met, the Tranche 4 Pulse Performance Rights will lapse on 31 December 2017 or if the holder ceases to be employed by Pulse as an executive. They will also lapse immediately if the Court approves the Scheme, unless the following occur, in which case each Tranche 4 Pulse Performance Right will convert into a Pulse Share:

- (a) the last closing trading price of Pulse Shares before the Court approves the Scheme at the Second Court Hearing is greater than \$0.84 per Pulse Share; or
- (b) the 30 day volume weighted average price on ASX for Pulse Shares prior to the Court approval of the Scheme at the Second Court Hearing is greater than \$0.84 per Pulse Share.

Under the Scheme Implementation Deed Pulse has agreed that it must procure that, prior to the Scheme Record Date, each Pulse Performance Right expires or is cancelled for no consideration. Given the recent trading prices in Pulse Shares, as summarised in Section 5.5, the Pulse Directors consider it is likely that the Pulse Performance Rights will lapse if the Court approves the Scheme, which is anticipated to be considered by the Court on 24 March 2017.

2. These are the same Pulse Performance Rights as are described in Section 10.6.

If any Pulse Performance Rights vest into Pulse Shares by 7.00pm (Sydney time) on the Scheme Record Date, those Pulse Shares would be Scheme Shares to which the terms of the Scheme apply.

10.9 Pulse Options

The Pulse Options on issue as at the date of this Scheme Booklet comprise 500,000 Class B Pulse Options (each exercisable into one Pulse Share during the 30 day period commencing 20 July 2017 at an exercise price of \$0.605 each and expiring at the end of that 30 day period) and 500,000 Class C Pulse Options (each exercisable into one Pulse Share during the 30 day period commencing 20 July 2018 at an exercise price of \$0.63 each and expiring at the end of that 30 day period).

Pulse has entered into an Option Cancellation Deed with the sole holder of Pulse Options, being one of the Pulse Directors, Mr David L. Manning, to cancel all 1,000,000 Pulse Options on issue for nil consideration, conditional upon the Scheme becoming Effective.

10 ADDITIONAL INFORMATION

Accordingly, if the Scheme becomes Effective, all Pulse Options which have not already expired will be cancelled for nil consideration on the Implementation Date.

Under the Option Cancellation Deed, subject to the Scheme becoming Effective, Mr Manning has undertaken, in favour of Pulse, that he will not exercise or transfer any of the Pulse Options.

The Option Cancellation Deed will cease to have effect and the Pulse Options will not be cancelled under it if the Scheme Implementation Deed is terminated prior to the Scheme becoming Effective.

10.10 Healthe Care securities held by Pulse Directors

No securities of Healthe Care are held by or on behalf of Pulse Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet.

10.11 Agreements or arrangements with Pulse Directors

There are no agreements or arrangements made between any Pulse Director and another person in connection with, or conditional on, the outcome of the Scheme other than to the extent disclosed in this Scheme Booklet (such as the Options Cancellation Deed described in Section 10.9) and in their capacity as holders of Relevant Interests in Pulse Shares (refer to Section 10.6).

Under the Scheme Implementation Deed, subject to the Scheme becoming Effective and having been implemented, Healthe Care has undertaken in favour of Pulse and each director and officer of Pulse or a Subsidiary of Pulse that it will:

- (1) to the extent permitted by law, for a period of 7 years from the Implementation Date, ensure that the constitutions of Pulse and each other member of the Pulse Group as at 30 November 2016 continue to contain such rules as are contained in those constitutions as at 30 November 2016 that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company (and Pulse undertakes not to vary, and must ensure there is no variation of, those constitutional arrangements); and
- (2) procure that Pulse and each other member of the Pulse Group as at 30 November 2016 complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers as at 30 November 2016 (and Pulse undertakes not to vary, and must ensure there is no variation of, those arrangements, except that it may enter into such deeds with newly appointed directors and officers on terms materially consistent with existing deeds as at 30 November 2016) and, without limiting the foregoing, not take any action which would prejudice or adversely affect any directors' and officers' runoff insurance cover taken out prior to the Implementation Date.

10 ADDITIONAL INFORMATION

10.12 Payments or other benefits to Pulse Group directors and senior management

Other than as disclosed in this Scheme Booklet, there are no payments or other benefits that are proposed to:

- (1) be made or given to any director, secretary or executive officer of Pulse as compensation for loss of, or as consideration for or in connection with his or her retirement from, office in Pulse or in a Related Body Corporate of Pulse; or
- (2) be made or given to any director, secretary or executive officer of any Related Body Corporate of Pulse as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in that body corporate or in Pulse.

Pulse has entered into an Executive Service Agreement with Pulse's Managing Director and Chief Executive Officer, Ms Phillipa Blakey, under which she provides executive services to Pulse. Either party may terminate the agreement by giving 12 months' notice. In lieu of notice Pulse may pay to Ms Blakey an amount calculated in proportion to her base salary for any period of short notice. Ms Blakey's base salary is, at the date of this Scheme Booklet, \$409,500 per annum.

The same termination provisions apply to Mr Mark Hays' services agreement for him to act as Pulse's Chief Financial Officer and Mr Matthew Mackay's services agreement for him to act as Pulse's Chief Operating Officer except that their termination notice period is 6 months and their respective base salaries are, at the date of this Scheme Booklet, \$262,500 and \$221,250 per annum.

If the Scheme is implemented, each Pulse Director, or entities associated with them¹¹, will receive the following amounts as consideration for their Pulse Shares:

Pulse Director	Amount
Mr Stuart James	\$1,835,957.71
Ms Phillipa Blakey	\$6,409.86
Mr Craig Coleman	\$987,822.50 ¹¹
Mr David L. Manning	\$705,000.00

10.13 Interests and dealings in Healthe Care Group securities

(1) Interests in Healthe Care Group

As at the date immediately before the date of this Scheme Booklet, no Pulse Director (or Pulse or any member of the Pulse Group) had a Relevant Interest in any shares or other marketable securities on issue in any member of the Healthe Care Group.

(2) Dealings in Healthe Care Group securities

No Pulse Director (or Pulse or any member of the Pulse Group) acquired or disposed of a Relevant Interest in any shares or other securities on issue in any member of the Healthe Care Group before the date of this Scheme Booklet.

¹¹ Excluding consideration that may be received by Viburnum. Craig Coleman is the Executive Chairman of and owns a 20% interest in Viburnum, which holds Voting Power of approximately 19.29% in Pulse (comprising 49,596,514 Pulse Shares).

10 ADDITIONAL INFORMATION

10.14 Interests of Pulse Directors in contracts entered into by Healthe Care Group

No Pulse Director has any interest in any contracts entered into by Luye Investment Group or Healthe Care or any other member of the Healthe Care Group.

10.15 Effect of Scheme on creditors

Pulse has paid and is paying all its creditors within normal terms of trade. It is solvent and is trading in an ordinary commercial manner.

10.16 Effect of Scheme on material contracts of the Pulse Group

Various material contracts of the Pulse Group, such as health fund, financing and lease agreements, are subject to consent requirements from contracting parties in the event of a change of control event such as the Scheme. In the event that consent is not obtained, this may adversely impact on Pulse's business. However, provided such impact does not cause Pulse to breach the Scheme Implementation Deed or prevent a Condition Precedent from being satisfied that would not be anticipated to materially impact on the Scheme.

10.17 No unacceptable circumstance

Pulse does not believe that the Scheme involves any circumstances in relation to the affairs of any member of Pulse that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of Section 657A of the Corporations Act.

10.18 Publicly available information

Pulse is listed on the ASX. As such, Pulse is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations. As a company listed on the ASX, Pulse is subject to the ASX Listing Rules which require immediate disclosure to the market of any information of which Pulse is aware which a reasonable person would expect to have a material effect on the price or value of its securities.

ASIC also maintains a record of documents lodged with it by Pulse, and these may be obtained from or inspected at any office of ASIC.

10.19 Lodgement of the Scheme Booklet

This Scheme Booklet was provided to ASIC on 1 February 2017 pursuant to Section 411(2)(b) of the Corporations Act.

10 ADDITIONAL INFORMATION

10.20 Consents and disclaimers

(1) Consent to be named

The following advisers to Pulse have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- (a) Allier Capital as financial adviser to Pulse; and
- (b) Norton Rose Fulbright Australia as legal adviser to Pulse.

(2) Consent to be named as Independent Expert and to the inclusion of information

The Independent Expert has given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its written consent to be named in the Scheme Booklet as the Independent Expert in this Scheme Booklet and to the inclusion of the Independent Expert's Report set out in Section 7 of this Scheme Booklet and other statements in this Scheme Booklet made by, or said to be based on statements made by, the Independent Expert, in each case in the form and context in which they appear in this Scheme Booklet.

(3) Viburnum

Viburnum has given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its written consent to be named in this Scheme Booklet and to the inclusion in this Scheme Booklet of statements in relation to Viburnum's voting intentions at the Scheme Meeting and other statements in this Scheme Booklet made by, or said to be based on statements made by, Viburnum, in each case in the form and context in which they appear in this Scheme Booklet.

(4) Healthe Care

Healthe Care has given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its written consent to the inclusion of the Healthe Care Group Information set out in this Scheme Booklet in the form and context in which that information appears and have given, and Healthe Care, Luye Medical International and Luye Investment Group have each given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named.

(5) Computershare Investor Services Pty Limited

Computershare Investor Services Pty Limited has given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn, its written consent to be named in the Scheme Booklet as the Pulse Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the share registry to Pulse. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

10 ADDITIONAL INFORMATION

(6) BDO East Coast Partnership

BDO East Coast Partnership has given and, as at the date hereof, has not withdrawn, its written consent to be named in the Scheme Booklet as Pulse Group's auditor in the form and context in which it is so named and to the inclusion of Pulse Group's audited financial statements and references to BDO East Coast Partnership's opinions and reports on those financial statements in the form and context in which they appear in this Scheme Booklet.

(7) Pulse Directors

The Pulse Directors have each given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet and to the inclusion in this Scheme Booklet of statements in relation to the Pulse Directors, such as their voting intentions at the Scheme Meeting and other statements in this Scheme Booklet made by, or said to be based on statements made by, the Pulse Directors, in each case in the form and context in which they appear in this Scheme Booklet.

(8) Disclaimers of responsibility

Each party named in Sections 10.20(1), 10.20(2), 10.20(3), 10.20(4), 10.20(5) and 10.20(6) of this Scheme Booklet:

- (a) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than, in the case of BDO East Coast Partnership, Viburnum, the Independent Expert and Healthe Care, a statement included in this Scheme Booklet with the consent of that party; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to its name and, in the case of BDO East Coast Partnership, Viburnum, the Independent Expert, Healthe Care, Luye Medical International and Luye Investment Group, any statement or report which has been included in this Scheme Booklet with the consent of that party.

10.21 Independent Expert

The Independent Expert has prepared the Independent Expert's Report set out in Section 7 of this Scheme Booklet advising as to whether, in its opinion, the Scheme is fair and reasonable and in the best interests of Pulse Shareholders.

The Independent Expert has concluded that the acquisition of Pulse Shares by Healthe Care under the Scheme is fair and reasonable and in the best interests of the Pulse Shareholders. The Independent Expert will be paid a fee of approximately \$60,000 (exclusive of GST) in relation to the preparation of the Independent Expert's Report.

10 ADDITIONAL INFORMATION

10.22 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Pulse Director, or any director of any Related Body Corporate of Pulse, which has not previously been disclosed to Pulse Shareholders.

10.23 Supplementary information

Pulse will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- (1) a material statement in this Scheme Booklet is false or misleading in a material respect;
- (2) a material omission from this Scheme Booklet;
- (3) a significant change affecting a matter included in this Scheme Booklet; or
- (4) a significant new matter which has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals and the requirements of the Corporations Act, Pulse may circulate and publish any supplementary document by:

- (1) making an announcement to ASX;
- (2) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (3) posting the supplementary document to Pulse Shareholders at their registered address as shown in the Pulse Share Register; or
- (4) posting a statement on Pulse's website at <http://www.pulsehealth.net.au/>,

as Pulse in its absolute discretion considers appropriate.

10.24 No investment advice

The information contained in this Scheme Booklet does not contain financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position and particular needs. It is important that you read the Scheme Booklet in its entirety before making any decision on how to vote. If you are in any doubt in relation to these matters, you should consult your legal, financial or other professional adviser.

11 GLOSSARY AND DEFINITIONS

Term	Meaning
ACCC	the Australian Competition and Consumer Commission.
Acquisition Facility	the meaning given in Section 6.3.
Adviser	in relation to an entity means, its financier, legal adviser, financial adviser or technical or other expert advisers (not including the Independent Expert) or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity.
AIFRS	the International Financial Reporting Standards as adopted in Australia.
Allier Capital	Allier Capital Pty Ltd ACN 135 428 616.
Announcement Date	20 October 2016, when the non-binding, indicative proposal from Healthe Care in relation to the Scheme was announced.
ASIC	the Australian Securities and Investments Commission.
Associate	has the same meaning as given under the Corporations Act.
ASX	ASX Limited (ACN 008 624 691) or the financial market operated by it (as the context requires).
ASX Listing Rules	the official listing rules of ASX as from time to time amended or waived in their application to a party.
BDO East Coast Partnership	BDO East Coast Partnership ABN 83 236 985 726.
Break Fee	has the meaning given in Section 9.13(5).
Business Day	a business day as defined in the Listing Rules.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
Claim	a demand, claim, action or proceeding, however arising and whether present, unascertained, immediate, future or contingent, including any claim for specific performance.
Competing Proposal	<p>an expression of interest, offer or proposal by any person (other than Healthe Care or its Related Bodies Corporate or their associates (as defined in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to the Scheme Implementation Deed and Pulse or Healthe Care (as applicable) were the designated body) which, if completed, would result in a person (whether directly or indirectly):</p> <p>(a) acquiring a Relevant Interest in Pulse Shares such that the person obtains a total Relevant Interest of 20% or more of the issued Pulse Shares or the issued shares of any material Subsidiary of Pulse;</p>

11 GLOSSARY AND DEFINITIONS

Term	Meaning
	<ul style="list-style-type: none"> (b) acquiring a legal or equitable interest in all, or a substantial part of, the assets of Pulse or of any material Subsidiary of Pulse not held by that person as at 30 November 2016; (c) acquiring the capacity to control the financial and operating policies, assets or management of Pulse or of a material Subsidiary of Pulse or of a material part of the business of any such entity; or (d) otherwise merging or transacting with, or acquiring or becoming the holder of a significant shareholding or economic interest in, Pulse or a material Subsidiary of Pulse or its businesses or assets and, for the purposes of the Scheme Implementation Deed other than in relation to the break fee summarised in Section 9.13(5), where such transaction: <ul style="list-style-type: none"> (i) is conditional on the Scheme not becoming Effective, or requires Pulse to abandon, terminate, or fail to proceed with the proposed Transaction with Healthe Care; or (ii) if implemented, would materially reduce the likelihood of the Scheme becoming Effective, <p>including, without limitation, by way of takeover bid, scheme of arrangement, plan of arrangement, capital reduction, shareholder approved transaction, sale of assets or businesses, sale or purchase of shares, joint venture or partnership, reverse takeover, recapitalisation, debt for equity arrangement or other transaction or arrangement.</p>
Conditions Precedent	the conditions precedent to the Scheme summarised in Section 9.13(2) of this Scheme Booklet and set out in full in clause 3.1 of the Scheme and clause 3.1 of the Scheme Implementation Deed.
Corporations Act	the <i>Corporations Act 2001</i> (Cwlth) as modified from time to time by ASIC class orders and instruments having general application.
Court	the Supreme Court of New South Wales or such other court of competent jurisdiction agreed in writing by Pulse and Healthe Care.
Deed Poll	the deed poll set out in Annexure A to this Scheme Booklet (or in such other form agreed by Pulse and Healthe Care in writing or required by the Court) under which Healthe Care covenants in favour of the Scheme Shareholders to perform its obligations under the Scheme.
Disclosure Materials	<p>includes:</p> <ul style="list-style-type: none"> (a) the documents and information contained in the data room established by Pulse, or made available to Healthe Care and its Representatives (including by Pulse's insurers) prior to signing the Scheme Implementation Deed; and (b) the document containing the written responses from Pulse and its Representatives to requests for further information made by Healthe Care and its Representatives, a copy of which has been initialled by, or on behalf of, the relevant parties for identification on or prior to 30 November 2016.

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Term	Meaning
EBITDA	earnings before interest, tax, depreciation and amortisation.
Effective	when used in relation to the Scheme, the coming into effect pursuant to Section 411(10) of the Corporations Act of the order of the Court made under Section 411(4)(b) in relation to the Scheme, which is anticipated to occur when an office copy of the order of the Court is lodged with ASIC.
Effective Date	the date the Scheme becomes Effective.
Encumbrance	A security interest, mortgage, charge, pledge, lien, hypothecation or third party interest of any kind whatsoever, or an agreement or arrangement to create any of them or to allow any of them to exist.
End Date	31 May 2017 or such other date as agreed in writing between Healthe Care and Pulse.
Exclusivity Period	the period commencing on 30 November 2016 and ending on the earlier of: <ul style="list-style-type: none"> (a) the End Date; (b) the Effective Date; and (c) the date that the Scheme Implementation Deed is terminated in accordance with its terms.
FY	financial year, which in the case of Pulse ends on 30 June.
Governmental Agency	includes: <ul style="list-style-type: none"> (a) ASX, ASIC, ACCC, NZ OIO; (b) any Australian or foreign government or governmental, semi governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal agency or entity, including a Tax Authority; (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and (d) any regulatory organisation established by statute.
GST	a goods and services or similar tax imposed in Australia.
Headcount Test	the meaning given in Section 2.
Healthe Care	Healthe Care Australia Pty Ltd ABN 93 117 285 300.
Healthe Care Group	Healthe Care and its Subsidiaries and Related Bodies Corporate (including, for the avoidance of doubt, Luye Medical International and Luye Investment Group), and “member of the Healthe Care Group” means each of those entities.
Healthe Care Group Information	the information set out in Section 6 of this Scheme Booklet.
Healthe Care Parties	the directors, officers and employees of Healthe Care’s and its Related Bodies’ Indemnified Corporate as at 30 November 2016 and from time to time.

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Term	Meaning
Implementation Date	the third Business Day following the Scheme Record Date (or another date agreed between Healthe Care and Pulse).
Independent Expert	Leadenhall Corporate Advisory Pty Ltd ACN 114 534 619.
Independent Expert's Report	the Independent Expert's report prepared in relation to the Scheme, which report comprises Section 7.
Intra-Group Loan	the meaning given in Section 6.3.
Listing Rules	the official listing rules of ASX as from time to time amended or waived in their application to a party.
Luye Investment Group	Luye Investment Group Co., Ltd, a company incorporated in the People's Republic of China.
Luye Medical International	Luye Medical International Pte Ltd, a company incorporated in Singapore.
Material Adverse Change	<p>an event, change, condition, matter, circumstance or thing occurring after 30 November 2016 (each a Specified Event) which, whether individually or when aggregated with all such Specified Events has or will or is reasonably likely to have the effect of a diminution in:</p> <ul style="list-style-type: none"> (a) the value of the consolidated net assets of Pulse Group, taken as a whole, by at least \$5,000,000 against what it would reasonably have been expected to have been but for such Specified Event; or (b) the consolidated earnings before interest expense, tax, depreciation and amortisation and significant and non-recurring items of Pulse Group, taken as a whole, by at least \$1,000,000 in the FY2017 financial year for Pulse Group against what it would reasonably have been expected to have been but for such Specified Event; <p>other than those Specified Events:</p> <ul style="list-style-type: none"> (c) required or permitted under the Scheme Implementation Deed or the Scheme; (d) that are fully and fairly disclosed in the Disclosure Materials; (e) agreed to in writing by Healthe Care; (f) that are fully and fairly disclosed in an announcement made to ASX prior to 30 November 2016 that is publicly available; (g) resulting from changes in law or in general economic, market, political or business conditions; or (h) resulting from any change occurring directly as a result of a general deterioration in equity markets, interest rates, exchange rates or credit spreads, that impacts Pulse and its competitors in a similar manner.
Notice of Scheme Meeting	the notice in relation to the Scheme Meeting, included as Annexure C to this Scheme Booklet.
NZ OIO	the New Zealand Overseas Investment Office.

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Term	Meaning
Officer	in relation to an entity means its directors, officers and Senior Executives or any of the entity's Related Bodies Corporate.
Parent Lender	the meaning given in Section 6.3.
PHI	Private health insurance.
Prescribed Event	<p>the occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) Pulse or any of its Subsidiaries converting all or any of its shares into a larger or smaller number of shares; (b) Pulse or any of its Subsidiaries resolving to reduce its share capital in any way; (c) Pulse or any of its Subsidiaries: <ul style="list-style-type: none"> (i) entering into a buy back agreement; or (ii) resolving to approve the terms of a buy back agreement under the Corporations Act; (d) Pulse or any of its Subsidiaries declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members to a person that is not a wholly-owned Subsidiary of Pulse, or announcing an intention to do any of the foregoing; (e) Pulse or any of its Subsidiaries issuing shares, or granting an option over its shares to a person that is not a wholly-owned Subsidiary of Pulse, or agreeing to make such an issue or grant such an option to a person that is not a wholly-owned Subsidiary of Pulse; (f) Pulse or any of its Subsidiaries issuing convertible securities or agreeing to issue securities or other instruments convertible into shares or debt securities to a person that is not a wholly-owned Subsidiary of Pulse; (g) Pulse or any of its Subsidiaries disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; (h) Pulse or any of its Subsidiaries creating, or agreeing to create, any mortgage, charge, lien or other Encumbrance over the whole, or a substantial part, of its business or property other than in connection with any rollover or refinancing of existing financial indebtedness fully and fairly disclosed in the Disclosure Materials on terms that Pulse is best able to negotiate, acting reasonably, provided that such rollover or refinancing does not constitute a Material Adverse Change; (i) Pulse or any of its Subsidiaries paying, or agreeing to pay, any of its directors, officers, or Senior Executives any payment (including any form of termination payment, retention payment, exertion bonus or debt forgiveness), other than: <ul style="list-style-type: none"> (i) in accordance with contractual arrangements in effect on 30 November 2016 and which are contained in the Disclosure Materials; or (ii) in connection with usual remuneration reviews conducted in the ordinary course of business and consistent with past practice;

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Term	Meaning
	<ul style="list-style-type: none"> (j) Pulse or any of its Subsidiaries varying any employment or services agreement with one or more of its directors, officers or Senior Executives, or accelerating or otherwise increasing compensation or benefits for any of the foregoing; (k) Pulse or any of its Subsidiaries resolving that it be wound up; (l) a liquidator, provisional liquidator or administrator of Pulse or any of its Subsidiaries being appointed; (m) the making of an order by a court for the winding up of Pulse or any of its Subsidiaries; (n) Pulse or any of its Subsidiaries executing a deed of company arrangement; (o) a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of Pulse or any of its Subsidiaries being appointed; (p) an administrator of Pulse or any of its Subsidiaries being appointed under the Corporations Act; (q) Pulse making any change or amendment to its constitution, or any Subsidiary of Pulse making any material change or amendment to its constitution; (r) Pulse or any of its Subsidiaries making any change to their accounting practices or policies, other than to comply with generally accepted Australian accounting standards or AIFRS (or their equivalent in the relevant jurisdiction); (s) Pulse or any of its Subsidiaries: <ul style="list-style-type: none"> (i) materially varying or terminating one or more contracts with any private health fund; or (ii) materially adversely varying or terminating one or more contracts which variations or terminations have, or are expected to have, an impact of: <ul style="list-style-type: none"> (A) \$500,000 (individually or in aggregate) or more in gross annual revenue or expenditure for the Pulse Group; or (B) \$250,000 (individually or in aggregate) or more in gross annual revenue or expenditure in respect of the Gold Coast Surgical Hospital. <p>This paragraph (s) does not apply to renewal of any existing contract contained in the Disclosure Materials which has expired or is about to expire on terms no less favourable than their current terms as a whole;</p> (t) Pulse or any of its Subsidiaries entering into contracts or arrangements that generate, or are expected to incur: <ul style="list-style-type: none"> (i) \$500,000 (individually or in aggregate) or more in gross annual expenditure for the Pulse Group; or (ii) \$250,000 (individually or in aggregate) or more in gross annual expenditure in respect of the Gold Coast Surgical Hospital, <p>other than renewal of any existing contract contained in the Disclosure Materials which has expired or is about to expire or variation of terms which have expired or are about to expire on terms that Pulse is best able to negotiate, acting reasonably;</p> (u) Pulse or any of its Subsidiaries: <ul style="list-style-type: none"> (i) acquiring, leasing or disposing of;

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Term	Meaning
	<ul style="list-style-type: none"> (ii) agreeing to acquire, lease or dispose of; or (iii) offering, proposing, announcing a bid or tending for the acquisition, leasing or disposal of, any business, asset, security, entity or undertaking, the value of which exceeds: <ul style="list-style-type: none"> (iv) \$500,000 (individually or in aggregate) in respect of the Pulse Group; or (v) \$250,000 (individually or in aggregate) in respect of the Gold Coast Surgical Hospital, excluding the renewal or entry into new leases contained in the Disclosure Materials which have expired or are about to expire or are under negotiation on terms that Pulse is best able to negotiate, acting reasonably; <ul style="list-style-type: none"> (v) Pulse or any of its Subsidiaries agreeing to incur capital expenditure of more than: <ul style="list-style-type: none"> (i) \$500,000 (individually or in aggregate) in respect of the Pulse Group; or (ii) \$250,000 (individually or in aggregate) in respect of the Gold Coast Surgical Hospital; (w) Pulse or any of its Subsidiaries incurring or committing to any additional financial indebtedness (including borrowings, loans and advances, operating and finance leases or the issue of debt securities or hybrid securities) for one or more related items in excess of: <ul style="list-style-type: none"> (i) \$500,000 (individually or in aggregate) in respect of the Pulse Group; or (ii) \$250,000 (individually or in aggregate) in respect of the Gold Coast Surgical Hospital, other than: <ul style="list-style-type: none"> (iii) any rollover or refinancing of existing financial indebtedness fully and fairly disclosed in the Disclosure Materials on terms that Pulse is best able to negotiate, acting reasonably, provided that such rollover or refinancing does not constitute a Material Adverse Change; or (iv) to draw on the Pulse Group's existing working capital facility as at 30 November 2016 up to an aggregate amount of \$3,500,000, where the drawing is used only for the purposes of expenditure that does not otherwise constitute a Prescribed Event; (x) Pulse or any of its Subsidiaries guaranteeing or indemnifying the obligations of any person other than a member of the Pulse Group, other than guarantees or indemnities given (including in customer or supply contracts) in the ordinary course of business consistent with past practice or in connection with any rollover or refinancing of existing financial indebtedness fully and fairly disclosed in the Disclosure Materials on terms that Pulse is best able to negotiate, acting reasonably, provided that such rollover or refinancing does not constitute a Material Adverse Change; (y) Pulse or any of its Subsidiaries providing financial accommodation other than to a wholly-owned Subsidiary of Pulse (irrespective of what form that financial indebtedness takes) in excess of \$250,000 (individually or in aggregate), other than

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Term	Meaning
	provision of payment terms or trade debt given or incurred in the ordinary course of business consistent with past practice;
(z)	Pulse or any of its Subsidiaries entering into, or resolving to enter into, a transaction with any related party of Pulse, as defined in section 228 of the Corporations Act;
(aa)	Pulse or any of its Subsidiaries: <ul style="list-style-type: none"> (i) settling any legal proceedings, disputed claim, investigation, arbitration or other like proceeding in relation to any matter where the settlement amount payable by Pulse or any of its Subsidiaries exceeds \$250,000; (ii) admitting to fault or liability exceeding \$250,000 in value in respect of any legal proceedings, disputed claim, investigation, arbitration or other like proceeding; or (iii) accepting as a compromise of a matter less than the full compensation due to Pulse or any of its Subsidiaries where the financial impact of the compromise on the Pulse Group is more than \$250,000 (individually or in aggregate), other than in respect of any legal proceedings, disputed claim, investigation, arbitration or other like proceeding which is fully covered (except for deductibles or excess payments) by an existing insurance policy of the Pulse Group fully and fairly disclosed in the Disclosure Materials; or
(bb)	Pulse or any of its Subsidiaries employing an individual who is not an employee as at the time of signing the Scheme Implementation Deed on 30 November 2016 where the individual reports, or is to report, directly to the Managing Director/Chief Executive Officer of Pulse,
	provided that none of the above events will constitute a Prescribed Event where the event is:
(cc)	required or permitted to be done or procured under the Scheme Implementation Deed or the Scheme;
(dd)	required to be done by law;
(ee)	required pursuant contractual or equitable obligation (including obligation of confidentiality) which any member of the Pulse Group owes to any third party, provided that such contractual or equitable obligation: <ul style="list-style-type: none"> (i) is in existence at 30 November 2016 and has been fully and fairly disclosed in the Disclosure Materials; or (ii) has been entered into following 30 November 2016 in compliance with the provisions of the Scheme Implementation Deed;
(ff)	agreed to in writing by Healthe Care (such consent not to be unreasonably withheld or delayed);
(gg)	fully and fairly disclosed by Pulse in the Disclosure Materials; or
(hh)	fully and fairly disclosed in an announcement made to ASX prior to 30 November 2016 that is publicly available.

11 GLOSSARY AND DEFINITIONS

Term	Meaning
Pulse	Pulse Health Limited ABN 69 104 113 760.
Pulse Board	the board of directors of Pulse.
Pulse Director	a director of Pulse.
Pulse Group	Pulse and its Subsidiaries and “member of the Pulse Group” means each of those entities.
Pulse Indemnified Parties	the directors, officers and employees of Pulse and its Related Bodies’ Corporate as at 30 November 2016 and from time to time.
Pulse Information	the information in this Scheme Booklet except: (a) the Healthe Care Group Information; and (b) the Independent Expert’s Report.
Pulse Options	Options on issue in the capital of Pulse, as described in Section 10.9.
Pulse Performance Rights	Performance rights on issue in the capital of Pulse, as described in Section 10.8.
Pulse Share	a fully paid ordinary share in the capital of Pulse.
Pulse Share Register	the register of shareholders of Pulse maintained by or on behalf of Pulse in accordance with section 168(1) of the Corporations Act.
Pulse Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277 or any share registry validly appointed to replace it as Pulse’s share registry.
Pulse Shareholder	each person who is registered in the Pulse Share Register as a holder of one or more Pulse Shares.
Recommendation	a recommendation that Pulse Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert concluding and continuing to conclude that the Scheme is in the best interests of Pulse Shareholders.
Related Body Corporate	has the meaning given to that term in the Corporations Act.
Related Party	in relation to a party, means its directors and officers, its Related Bodies Corporate and each of the directors and officers of those Related Bodies Corporate.
Relevant Interest	has the same meaning as given by sections 608 and 609 of the Corporations Act.
Representative	in relation to an entity means: (a) each of the entity’s Related Parties; and (b) each of the Officers and Advisers of the entity or of any of its Related Parties.
Sante Capital Parties	(a) Sante Capital Investments Pty Ltd (ACN 161 227 014); (b) each other person named in the Form 604 (Notice of change of interests of substantial holder) dated 21 November 2016 and released on the ASX company announcements platform on the same date, in which Sante Capital Investments Pty Ltd (ACN 161 227 014) is named;

11 GLOSSARY AND DEFINITIONS

Term	Meaning
	<p>(c) Mr Ben Thynne;</p> <p>(d) Mr Andrew Savage; and</p> <p>(e) each associate (as defined in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to the Scheme Implementation Deed and Pulse or Healthe Care (as applicable) were the designated body), and direct or indirect investor, in any person named or referred to in paragraph (a), (b), (c) or (d) above and Sante Capital Party means any of them.</p>
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Pulse and the Scheme Shareholders, substantially in the form of Annexure B to this Scheme Booklet (or as otherwise agreed by Healthe Care and Pulse in writing) subject to any amendments or conditions made or required by the Court pursuant to Section 411(6) of the Corporations Act to the extent they are approved in writing by Pulse and Healthe Care in accordance with clause 8.2 of the Scheme.
Scheme Booklet	this explanatory statement, approved by the Court to be dispatched to Pulse Shareholders in advance of the Scheme Meeting, which includes the Scheme, the Deed Poll, an explanatory statement complying with the requirements of the Corporations Act, the Independent Expert's Report, the Scheme Implementation Deed and the notice of meeting and Proxy Form in respect of the Scheme.
Scheme Consideration	\$0.47 cash for each Pulse Share held by a Scheme Shareholder at the Scheme Record Date, to be paid pursuant to the Scheme.
Scheme Implementation Deed	the Scheme Implementation Deed between Healthe Care and Pulse dated 30 November 2016 set out in Annexure D of this Scheme Booklet.
Scheme Meeting	the meeting of Pulse Shareholders ordered by the Court to be convened pursuant to Section 411(1) of the Corporations Act in respect of the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	7.00pm (Sydney time) on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as Pulse and Healthe Care agree.
Scheme Share	means a Pulse Share held by a Scheme Shareholder as at the Scheme Record Date and, for the avoidance of doubt, includes any Pulse Shares issued on or before the Scheme Record Date.
Scheme Shareholder	a person who is a Pulse Shareholder as at 7.00pm (Sydney time) on the Scheme Record Date.
Second Court Date	the first day on which the application made to the Court for orders pursuant to Section 411(4)(b) of the Corporations Act approving the Scheme is heard (which is expected to be 24 March 2017) or, if the application is adjourned or appealed for any reason, the first day on which the adjourned application or appeal is heard.

11 GLOSSARY AND DEFINITIONS

Term	Meaning
Second Court Hearing	means the Court hearing at which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard.
Section	a section of this Scheme Booklet, unless otherwise specified.
Senior Executive	in relation to an entity, the chief executive officer or managing director of that entity and any employee who reports directly to the chief executive officer or managing director of that entity.
Share Scheme Transfer	for each Scheme Shareholder, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Shareholder for the purposes of section 1071B of the Corporations Act, in favour of Healthe Care as transferee, which may be a master transfer of all Scheme Shares.
Subsidiary	has the meaning given to that term in the Corporations Act.
Superior Proposal	a Competing Proposal which the Pulse Board has determined in good faith would, if consummated in accordance with its terms, be reasonably likely to result in a transaction which is more favourable to Pulse Shareholders than the terms of the Scheme, provided that any such determination may only be made after consultation with Pulse's legal and financial advisers, taking into account all material legal, financial, regulatory and other aspects of the Competing Proposal and the identity of the relevant third party.
Tax	all forms of taxes, duties, imposts, charges, withholdings, rates, levies, clawbacks or other governmental impositions of whatever nature and by whatever authority imposed, assessed or charged together with all costs, charges, interest, penalties, fines and other additional statutory charges incidental or related to the imposition, assessment or charge of those amounts.
Tax Authority	any Governmental Authority responsible for the imposition, collection or recovery of any Tax.
Third Party	a person other than Healthe Care or its Related Bodies Corporate.
Transaction	the acquisition by Healthe Care of all the Pulse Shares held by Scheme Shareholders by means of the Scheme in accordance with the terms of the Scheme Implementation Deed.
Viburnum	Viburnum Funds Pty Ltd ACN 126 348 990 as trustee and manager of the VF Strategic Equities Fund.
Voting Power	has the meaning given to it in the Corporations Act.
VWAP	volume weighted average price.

ANNEXURE A – DEED POLL

 NORTON ROSE FULBRIGHT

Dated 25/01/2017

Deed Poll

being a deed poll made by

Healthe Care Australia Pty Ltd ABN 93 117 285 300 (**Healthe Care**)

in favour of

Each person who is registered as a holder of one or more fully paid ordinary shares in Pulse Health Limited ABN 69 104 113 760 (**Pulse**) as at 7.00pm on the Scheme Record Date (each a **Scheme Shareholder** and together the **Scheme Shareholders**)

James Stewart
Norton Rose Fulbright Australia
Level 15, RACV Tower, 485 Bourke Street
Melbourne 3000
Tel: +61 3 8686 6573
nortonrosefulbright.com
Our ref: 2840749

ANNEXURE A – DEED POLL

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ANNEXURE A – DEED POLL

Deed poll dated 25/01/2017

Made by **Healthe Care Australia Pty Ltd ABN 93 117 285 300**
of 160 Sussex Street, Sydney NSW 2000, Australia
(**Healthe Care**)

in favour of Each person who is registered as a holder of one or more fully paid ordinary shares in Pulse Health Limited ABN 69 104 113 760 (**Pulse**) as at 7.00pm on the Scheme Record Date (each a **Scheme Shareholder** and together the **Scheme Shareholders**)

Introduction

- A Pulse and Healthe Care have entered into the Scheme Implementation Deed.
- B Pursuant to the Scheme Implementation Deed, Healthe Care agreed (amongst other things) to pay, or procure the payment of, the aggregate Scheme Consideration to Pulse to be received on behalf of the Scheme Shareholders, subject to the satisfaction of certain conditions.
- C Healthe Care is entering into this deed poll for the purpose of covenanting in favour of Scheme Shareholders to perform the obligations of Healthe Care under the Scheme Implementation Deed and the Scheme.

General Terms

1 Definitions and interpretation

1.1 Definitions

In this deed poll (unless the context otherwise requires):

- (1) **First Court Date** means the first day on which the First Court Hearing is held;
- (2) **First Court Hearing** means the Court hearing at which an application made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard;
- (3) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Pulse and the Scheme Shareholders substantially in the form of Annexure A to this deed poll (or as otherwise agreed by Healthe Care and Pulse in writing) subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by Pulse and Healthe Care in accordance with clause 8.2 of the Scheme;
- (4) **Scheme Implementation Deed** means the scheme implementation deed dated 30 November 2016 between Pulse and Healthe Care under which, amongst other things, each of Healthe Care and Pulse has agreed to take certain steps to give effect to the Scheme on and subject to the terms and conditions of that scheme implementation deed; and
- (5) words and phrases used in this deed poll have the same meaning as given to them in the Scheme.

ANNEXURE A – DEED POLL

1.2 Interpretation

Clauses 1.2 to 1.5 (inclusive) of the Scheme apply to the interpretation of this deed poll except that references to “this Scheme” in that clause are to be read as references to “this deed poll”.

1.3 Nature of deed poll

Healthe Care acknowledges that:

- (1) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to this deed poll; and
- (2) under the Scheme, each Scheme Shareholder irrevocably appoints Pulse and each of its directors, company secretaries and other officers (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Healthe Care.

2 Conditions

2.1 Conditions

Healthe Care's obligations under clause 3 are subject to the Scheme becoming Effective.

2.2 Termination

Healthe Care's obligations under this deed poll automatically terminate if:

- (1) the Scheme has not become Effective on or before the End Date;
- (2) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (3) the Scheme lapses and is of no further force or effect under clause 4.2 of the Scheme,

unless Pulse and Healthe Care otherwise agree in writing.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Shareholders:

- (1) Healthe Care is released from its obligations to further perform this deed poll except those obligations contained in clause 7.1 and any other obligations which by their nature survive termination; and
- (2) each Scheme Shareholder retains any rights, powers or remedies they have against Healthe Care in respect of any breach of this deed poll which occurs before it is terminated.

3 Scheme obligations

Subject to clause 2, Healthe Care undertakes in favour of each Scheme Shareholder:

- (1) to, by no later than the Business Day before the Implementation Date, deposit (or procure the deposit) into the Trust Account in cleared funds an amount in

ANNEXURE A – DEED POLL

Australian currency equal to the aggregate Scheme Consideration payable to all Scheme Shareholders under the Scheme (which Australian currency amount is equal to the total number of Scheme Shares multiplied by \$0.47); and

- (2) to perform all other actions attributed to it under the Scheme, subject to and in accordance with the terms of the Scheme.

4 Warranties

Healthe Care represents and warrants in favour of each Scheme Shareholder that each of the following statements are true and correct with respect to Healthe Care:

- (1) it is a corporation validly existing under the laws of its place of registration;
- (2) it has full legal capacity and corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (3) it has taken all corporate action that is necessary or desirable to authorise its entry into this deed poll and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (4) this deed poll constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms subject to any necessary stamping, which stamping Healthe Care warrants it will attend to and pay for, in compliance with applicable laws; and
- (5) this deed poll does not conflict with, or result in the breach of or default under, any provision of the constituent documents of Healthe Care, or any writ, agreement, order or injunction, judgment, law, rule or regulation to which Healthe Care is a party or subject to or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (1) Healthe Care has fully performed its obligations under this deed poll; or
- (2) the earlier termination of this deed poll under clause 2.2.

6 Notices

6.1 Form

All notices or other communications to Healthe Care in respect of this deed poll must be:

- (1) in writing;
- (2) must be addressed as shown below:

ANNEXURE A – DEED POLL

Healthe Care

Address: 160 Sussex Street, Sydney NSW 2000

For the attention of: General Counsel

Email: Tony.Marshall@healthehealthcare.com.au

Copy to: Tom.Story@allens.com.au

(or as otherwise notified by that party to this deed poll to the sender of the notice or other communication from time to time);

- (3) must be personally delivered or posted by prepaid post to the address of the addressee, or sent by email to the email address of the addressee, in accordance with clause 6.1(2); and
- (4) will be deemed to be received by the addressee:
 - (a) (in the case of prepaid post sent to a domestic address) on the third Business Day after the date of posting;
 - (b) (in the case of a prepaid post sent to an international address) on the fifth Business Day after the date of posting by airmail;
 - (c) (in the case of delivery by hand) on delivery; and
 - (d) (in case of email) 4 hours after the email was sent (as recorded on the device from which the sender sent the email) unless the sender receives, during that 4 hour period, an automated message that the email has not been delivered,

but if the communication would otherwise be taken to be received on a day that is not a Business Day or after 5.00pm (local time in the place of receipt), it is taken to be received at 9.00am (local time in the place of receipt) on the next Business Day.

7 General

7.1 Stamp duty

Healthe Care must:

- (1) pay all stamp duty (including any related fines, penalties, interest and other costs) in respect of the Scheme and this deed poll, any instruments entered into under this deed poll and in respect of a transaction effected by or made under one or both of the Scheme and this deed poll; and
- (2) indemnify on demand each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(1).

7.2 Waiver

- (1) A waiver of any right arising from a breach of this deed poll or of any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the person giving the waiver.

ANNEXURE A – DEED POLL

- (2) A failure or delay in exercise, or partial exercise, of:
 - (a) a right arising from a breach of this deed poll; or
 - (b) a right, power, authority, discretion or remedy created or arising upon default under this deed poll,does not result in a waiver of that right, power, authority, discretion or remedy.
- (3) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this deed poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.
- (4) A party may not rely on any conduct of another person as a defence to exercise of a right, power, authority, discretion or remedy by that other person.

7.3 Variation

A provision of this deed poll or any right created under it may only be varied, altered or otherwise amended if:

- (1) before the First Court Date, the variation is agreed to by Pulse in writing; or
- (2) on or after the First Court Date, the variation is agreed to by Pulse in writing and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Healthe Care will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation, alteration or amendment.

7.4 Remedies cumulative

The rights and remedies of Healthe Care and the Scheme Shareholders under this deed poll are cumulative and in addition to other rights and remedies given by law independently of this deed poll.

7.5 Assignment

The rights and obligations of Healthe Care and each Scheme Shareholder under this deed poll are personal and must not be assigned, encumbered, charged or otherwise dealt with at law or in equity and no person shall attempt or purport to do so.

7.6 Governing law and jurisdiction

This deed poll is governed by the law in force in New South Wales, Australia. Healthe Care irrevocably and unconditionally:

- (1) submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in New South Wales, Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this deed poll; and
- (2) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.


ANNEXURE A – DEED POLL

7.7 Further action

Healthe Care must, at its own expense, execute all documents and do all things (on its own behalf or on behalf of each Scheme Shareholder) necessary or expedient to give effect to this deed poll and the transactions contemplated by it.

Executed as a deed poll and delivered on the date shown on the first page.

Executed as a deed poll by **Healthe Care Australia Pty Ltd** ABN 93 117 285 300 in accordance with section 127 of the *Corporations Act 2001*:



Director/company secretary

ANTHONY MARSHALL

Name of director/company secretary
(BLOCK LETTERS)



Director

STEVE ATKINS

Name of director
(BLOCK LETTERS)

ANNEXURE A – DEED POLL

Annexure A– Scheme

 NORTON ROSE FULBRIGHT

[Not produced here – please see Annexure B of the Scheme Booklet.](#)

ANNEXURE B – SCHEME



Scheme of Arrangement

Parties

Pulse Health Limited
ABN 69 104 113 760

Scheme Shareholders

James Stewart
Norton Rose Fulbright Australia
Level 15, RACV Tower, 485 Bourke Street
Melbourne 3000
Tel: +61 3 8686 6573
nortonrosefulbright.com
Our ref: 2840749

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ANNEXURE B – SCHEME

Scheme of Arrangement

Parties **Pulse Health Limited** ABN 69 104 113 760
of Suite 6, Level 22, 227 Elizabeth Street, Sydney NSW 2000
(**Pulse**)

Each person who is registered as a holder of one or more fully paid ordinary shares in Pulse as at 7.00pm on the Scheme Record Date (each a **Scheme Shareholder** and together the **Scheme Shareholders**)

It is agreed

1 Definitions and interpretation

1.1 Definitions

In this Scheme:

- (1) **ACCC** means the Australian Competition and Consumer Commission;
- (2) **ASIC** means the Australian Securities and Investments Commission;
- (3) **ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it (as the context requires);
- (4) **Business Day** means a business day as defined in the Listing Rules;
- (5) **CHESS** means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited;
- (6) **Corporations Act** means the *Corporations Act 2001* (Cwlth);
- (7) **Court** means the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act agreed in writing by Healthe Care and Pulse;
- (8) **Deed Poll** means the deed poll which has been executed by Healthe Care substantially in the form of Annexure B to the Scheme Implementation Deed (or in such other form agreed by Healthe Care and Pulse in writing or required by the Court), under which Healthe Care covenants in favour of the Scheme Shareholders to perform its obligations under this Scheme;
- (9) **Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to this Scheme;
- (10) **Effective Date** in relation to this Scheme means the date on which this Scheme becomes Effective;
- (11) **Encumbrance** means a mortgage, charge, pledge, lien, hypothecation, security interest or third party interest of any kind whatsoever, or an agreement or arrangement to create any of them or to allow any of them to exist;

ANNEXURE B – SCHEME

- (12) **End Date** means 31 May 2017 or such other date as agreed in writing between Healthe Care and Pulse;
- (13) **Governmental Agency** includes:
 - (a) ASX, ASIC, ACCC, NZ OIO;
 - (b) any Australian or foreign government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal agency or entity, including a Tax Authority;
 - (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
 - (d) any regulatory organisation established by statute;
- (14) **Healthe Care** means Healthe Care Australia Pty Ltd (ABN 93 117 285 300);
- (15) **Implementation Date** means the third Business Day following the Scheme Record Date (or another day agreed between Healthe Care and Pulse);
- (16) **Listing Rules** means the Listing Rules of ASX;
- (17) **NZ OIO** means the New Zealand Overseas Investment Office;
- (18) **Pulse Share** means a fully paid ordinary share in the capital of Pulse;
- (19) **Pulse Share Register** means the register of members of Pulse maintained by or on behalf of Pulse in accordance with section 168(1) of the Corporations Act;
- (20) **Pulse Share Registry** means Computershare Investor Services Pty Limited ABN 48 078 279 277 or any share registry validly appointed to replace it as Pulse's share registry;
- (21) **Pulse Shareholder** means each person registered in the Pulse Share Register as a holder of one or more Pulse Shares;
- (22) **Registered Account** means, in relation to a Scheme Shareholder, the bank account nominated by the Scheme Shareholder on or before the Scheme Record Date and recorded for the purposes of the Pulse Share Register;
- (23) **Registered Address** means, in relation to a Pulse Shareholder, the address shown in the Pulse Share Register as at the Scheme Record Date;
- (24) **Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between Pulse and Scheme Shareholders, subject to any amendments or conditions as agreed between Pulse and Healthe Care in writing and subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by Pulse and Healthe Care in accordance with clause 8.2 of this Scheme;
- (25) **Scheme Consideration** means \$0.47 for each Scheme Share to be paid pursuant to this Scheme;
- (26) **Scheme Implementation Deed** means the scheme implementation deed dated 30 November 2016 between Pulse and Healthe Care under which, amongst other things, each of Healthe Care and Pulse has agreed to take certain steps to give

ANNEXURE B – SCHEME

effect to this Scheme on and subject to the terms and conditions of that scheme implementation deed;

- (27) **Scheme Meeting** means the meeting to be convened as ordered by the Court in relation to this Scheme pursuant to section 411(1) of the Corporations Act;
- (28) **Scheme Record Date** means 7.00pm on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as Pulse and Healthe Care agree;
- (29) **Scheme Share** means a Pulse Share held by a Scheme Shareholder as at the Scheme Record Date and, for the avoidance of doubt, includes any Pulse Shares issued on or before the Scheme Record Date;
- (30) **Second Court Date** the first day of the Second Court Hearing or, if the application is adjourned or appealed for any reason, the first day on which the adjourned application or appeal is heard;
- (31) **Second Court Hearing** means the Court hearing at which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving this Scheme is heard;
- (32) **Share Scheme Transfer** means, for each Scheme Shareholder, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Shareholder for the purposes of section 1071B of the Corporations Act, in favour of Healthe Care as transferee, which may be a master transfer of all Scheme Shares;
- (33) **Tax** means all forms of taxes, duties, imposts, charges, withholdings, rates, levies, clawbacks or other governmental impositions of whatever nature and by whatever authority imposed, assessed or charged together with all costs, charges, interest, penalties, fines and other additional statutory charges incidental or related to the imposition, assessment or charge of those amounts;
- (34) **Tax Authority** means any Governmental Authority responsible for the imposition, collection or recovery of any Tax; and
- (35) **Trust Account** means the account, with an Australian ADI (as defined in the Corporations Act), which account is operated by Pulse or the Pulse Share Registry as agent for Pulse to hold the aggregate Scheme Consideration on trust (as trustee or agent for each Scheme Shareholder) for the purpose of paying the Scheme Consideration to the Scheme Shareholders in accordance with clause 6.2 of this Scheme.

1.2 Reference to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

- (1) **(variations or replacement)** a document (including this document), agreement or instrument is a reference to that document, agreement or instrument as amended, consolidated, supplemented, novated or replaced;
- (2) **(defined terms)** other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (3) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this document;

ANNEXURE B – SCHEME

- (4) **(reference to statutes)** a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Governmental Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (5) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (6) **(singular includes plural)** the singular includes the plural and vice versa;
- (7) **(gender)** words importing a gender include any gender;
- (8) **(party)** a party means a party to this Scheme;
- (9) **(person)** the word “person” includes an individual, any company, partnership, entity, joint venture, association, corporation or other body corporate and any Governmental Agency;
- (10) **(executors, administrators, successors)** a particular person includes a reference to the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (11) **(currency)** Australian dollars, Australian currency, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (12) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (13) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (14) **(reference to this document)** the expression “this document” includes the agreement, arrangement, understanding or transaction recorded in this document;
- (15) **(meaning not limited)** the words “include”, “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (16) **(time of day)** time is a reference to Sydney, Australia time.

1.3 Non-Business Days

If the day on or by which a person must do something under this document is not a Business Day, the person must do that thing on or by the next Business Day.

1.4 Interpretation of this document

This document is not to be interpreted against the interests of a person merely because that person proposed this document or some provision in it or because that person relies on a provision of this document to protect itself.

ANNEXURE B – SCHEME

1.5 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 Pulse

Pulse is:

- (1) a public company limited by shares;
- (2) incorporated in Australia and deemed to be registered in Western Australia; and
- (3) admitted to the official list of the ASX and Pulse Shares are officially quoted on the stock market conducted by ASX.

As at 30 November 2016, 257,079,905 Pulse Shares are on issue.

2.2 Healthe Care

Healthe Care is:

- (1) a proprietary company limited by shares; and
- (2) incorporated in Australia and deemed to be registered in Queensland.

2.3 If Scheme becomes Effective

If this Scheme becomes Effective:

- (1) in consideration of the transfer of the Scheme Shares to Healthe Care, Healthe Care must pay, or procure the payment of, the aggregate Scheme Consideration for all Scheme Shares in accordance with clause 6.1 of this Scheme;
- (2) subject to the receipt by Pulse of the aggregate Scheme Consideration for all the Scheme Shares in accordance with clause 6.1 of this Scheme and subject to the payment to the Scheme Shareholders of that aggregate Scheme Consideration in accordance with clause 6.2 of this Scheme, all Scheme Shares will be transferred to Healthe Care on the Implementation Date; and subsequently
- (3) Pulse will enter (or procure that the Pulse Share Registry enters) the name of Healthe Care in the Pulse Share Register in respect of all Scheme Shares transferred to Healthe Care in accordance with the terms of this Scheme.

2.4 Scheme Implementation Deed

Pulse and Healthe Care have agreed, by executing the Scheme Implementation Deed, to implement the terms of this Scheme on and subject to the terms and conditions of the Scheme Implementation Deed.

2.5 Deed Poll

Healthe Care has executed the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders to perform (or procure the performance of) Healthe Care's obligations as contemplated by this Scheme, the Scheme Implementation Deed and the Deed Poll, including to pay the Scheme Consideration.

ANNEXURE B – SCHEME

3 Conditions precedent

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (1) as at 8.00am on the Second Court Date, the Scheme Implementation Deed and Deed Poll having not been terminated;
- (2) all of the conditions precedent in clause 3.1 of the Scheme Implementation Deed, other than the condition precedent in clause 3.1(7), having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed before 8.00am on the Second Court Date;
- (3) the Court approves this Scheme in accordance with section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are agreed to by Pulse and Healthe Care;
- (4) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme by the End Date or such later date as Healthe Care and Pulse agree; and
- (5) the satisfaction or waiver of such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to Healthe Care and Pulse (each acting reasonably).

3.2 Conditions precedent and binding effect of this Scheme

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the binding effect of this Scheme.

3.3 Certificate in relation to conditions precedent

- (1) Pulse and Healthe Care must each provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within each of their respective knowledge):
 - (a) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (excluding the condition precedent in clause 3.1(7) of the Scheme Implementation Deed and also excluding the conditions precedent in clauses 3.1(3), 3.1(4) and 3.1(5) of this Scheme) have been satisfied or waived; and
 - (b) whether the Scheme Implementation Deed and the Deed Poll have been terminated in accordance with their terms,as at 8.00am on the Second Court Date.
- (2) The certificates referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (excluding the condition precedent in clause 3.1(7) of the Scheme Implementation Deed and also excluding the conditions precedent in clauses 3.1(3), 3.1(4) and 3.1(5) of this Scheme) have been satisfied or waived or taken to be waived as at 8.00am on the Second Court Date.

ANNEXURE B – SCHEME

4 Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if:

- (1) the Effective Date does not occur on or before the End Date; or
- (2) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms, unless Healthe Care and Pulse otherwise agree in writing.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(4) of this Scheme) are satisfied, Pulse must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme, or such later time as Pulse and Healthe Care may agree in writing.

5.2 Transfer and registration of Scheme Shares

On the Implementation Date, but subject to the receipt by Pulse of the aggregate Scheme Consideration for all the Scheme Shares in accordance with clause 6.1 of this Scheme and subject to the payment to the Scheme Shareholders of that aggregate Scheme Consideration in accordance with clause 6.2 of this Scheme:

- (1) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Healthe Care without the need for any further act by any Scheme Shareholder (other than acts performed by Pulse or its directors and secretaries as attorney and agent for Scheme Shareholders under clause 8.1 of this Scheme) by:
 - (a) Pulse delivering to Healthe Care a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Shareholders; and
 - (b) Healthe Care duly executing the Share Scheme Transfer and delivering it to Pulse for registration; and
- (2) as soon as practicable after receipt by Pulse of the duly executed Share Scheme Transfer, Pulse must enter (or procure that the Pulse Share Registry enters) the name of Healthe Care in the Pulse Share Register in respect of all Scheme Shares transferred to Healthe Care in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration of the transfer to Healthe Care of the Scheme Shares in accordance with clause 5.2 of this Scheme, each Scheme Shareholder will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

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5.4 Title and rights in Scheme Shares

Subject to the payment of the Scheme Consideration for the Scheme Shares as contemplated by clauses 6.1 and 6.2 of this Scheme, on and from the Implementation Date, Healthe Care will be beneficially entitled to the Scheme Shares transferred to it under this Scheme, pending registration by Pulse of Healthe Care in the Pulse Share Register as the holder of the Scheme Shares.

5.5 Scheme Shareholders' agreements

Under this Scheme, each Scheme Shareholder agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranty by Scheme Shareholders

- (1) Each Scheme Shareholder is taken to have warranted to Pulse and Healthe Care that:
 - (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Healthe Care under this Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
 - (b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Healthe Care under this Scheme.
- (2) Pulse undertakes that it will provide such warranty to Healthe Care as agent and attorney of each Scheme Shareholder.

5.7 Transfer free of Encumbrances

To the extent permitted by law, all Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to Healthe Care under this Scheme will, at the date of the transfer of them to Healthe Care, vest in Healthe Care free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

5.8 Appointment of Healthe Care as sole proxy

- (1) Subject to the receipt by Pulse of the aggregate Scheme Consideration for the Scheme Shares as contemplated by clause 6.1 of this Scheme and subject to the payment to the Scheme Shareholders of that aggregate Scheme Consideration in accordance with clause 6.2 of this Scheme, on and from the Implementation Date until Pulse registers Healthe Care as the holder of all of the Scheme Shares in the Pulse Share Register, each Scheme Shareholder:
 - (a) is deemed to have irrevocably appointed Healthe Care and each of its directors and company secretaries, jointly and severally, as attorney and agent (and directs Healthe Care in such capacity) to appoint any director, officer or agent nominated by Healthe Care as its sole proxy and, where applicable, corporate representative, to attend shareholders' meetings of Pulse, exercise the votes attaching to Scheme Shares registered in the name of the Scheme Shareholder and sign any Pulse shareholders' resolution, and no Scheme Shareholder may itself attend or vote at any of those Pulse shareholders' meetings or sign any Pulse shareholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(1));

ANNEXURE B – SCHEME

- (b) must take all other actions in the capacity of the registered holder of Scheme Shares as Healthe Care directs; and
 - (c) acknowledges and agrees that in exercising the powers referred to in clause 5.8(1)(a), Healthe Care and any director, officer or agent nominated under clause 5.8(1)(a) may act in the best interests of Healthe Care as the intended registered holder of the Scheme Shares.
- (2) Pulse undertakes in favour of each Scheme Shareholder that it will appoint any director, officer or agent nominated by Healthe Care as that Scheme Shareholder's proxy or, where applicable, corporate representative in accordance with clause 5.8(1) of this Scheme.

6 Scheme Consideration

6.1 Satisfaction of obligations

The obligation of Healthe Care to pay the Scheme Consideration for all Scheme Shares under this Scheme will be satisfied by Healthe Care no later than the Business Day before the Implementation Date depositing (or procuring the deposit) in cleared funds into the Trust Account the aggregate amount (in Australian currency) of the Scheme Consideration payable to all Scheme Shareholders (which aggregate Australian currency amount is equal to the total number of Scheme Shares multiplied by \$0.47), provided that any interest on the amounts deposited (less bank fees and related charges) will be credited to Healthe Care's account. For the purpose of this Scheme, Pulse is taken to have received the aggregate Scheme Consideration once the aggregate amount of the Scheme Consideration has been deposited in cleared funds into the Trust Account.

6.2 Payment of Scheme Consideration to Scheme Shareholders

- (1) On the Implementation Date, subject to receipt by Pulse of the aggregate Scheme Consideration from Healthe Care in accordance with clause 6.1 of this Scheme, Pulse must pay (or procure the payment) to each Scheme Shareholder an amount equal to the Scheme Consideration for each Scheme Share transferred to Healthe Care on the Implementation Date by that Scheme Shareholder.
- (2) The Scheme Consideration must be paid in accordance with clause 6.2(1) to each Scheme Shareholder as follows:
 - (a) if the Scheme Shareholder has a Registered Account, making, or procuring the making of, a deposit by electronic funds transfer for the relevant amount of Scheme Consideration in Australian currency to the Scheme Shareholder's Registered Account; or
 - (b) if the Scheme Shareholder does not have a Registered Account and subject to clause 6.5, dispatching, or procuring the dispatch of, a cheque for the relevant amount of Scheme Consideration in Australian currency in the name of the Scheme Shareholder by pre-paid post to the Scheme Shareholder's Registered Address.

6.3 Cancellation and re-issue of cheques

- (1) Pulse may cancel a cheque issued under clause 6.2(2)(b) of this Scheme if the cheque:
 - (a) is returned to Pulse; or

ANNEXURE B – SCHEME

- (b) has not been presented for payment within six months after the date on which the cheque was sent.
- (2) During the period of one year commencing on the Implementation Date, on request from a Scheme Shareholder, Pulse must reissue a cheque that was previously cancelled under this clause 6.3.
- (3) Pulse must maintain appropriate records of all payments made in accordance with this clause 6 of this Scheme, including (amongst other things) the amounts paid (including the method of payment in accordance with clause 6.2), the persons paid and any cancelled cheques pursuant to this clause 6.3.

6.4 Orders of a court or Governmental Agency notice

In the case of notice having been given to Pulse (or the Pulse Share Registry) of an order made by a court of competent jurisdiction or notice by a Governmental Agency that is legally binding:

- (1) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with clause 6.2 of this Scheme, then Pulse shall be entitled to make that payment (or procure that it is made) in accordance with that order or notice; or
- (2) which would prevent Pulse from dispatching payment to any particular Scheme Shareholder in accordance with clause 6.2 of this Scheme, or the payment is otherwise prohibited by applicable law, Pulse shall be entitled to retain an amount, in Australian currency, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.2 of this Scheme is permitted by law.

6.5 Joint holders

In the case of Scheme Shares held in joint names:

- (1) any cheque required to be paid to Scheme Shareholders under this Scheme must be payable to the joint holders and be forwarded to either, at the sole discretion of Pulse, the holder whose name appears first in the Pulse Share Register as at 7.00pm on the Scheme Record Date or the joint holders; and
- (2) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Pulse, the holder whose name appears first in the Pulse Share Register as at the Scheme Record Date or to the joint holders.

6.6 Lapse of Scheme

If, following receipt by Pulse of the aggregate Scheme Consideration from Healthe Care in accordance with clause 6.1 of this Scheme but prior to the occurrence of all of the events described in clause 5.2, this Scheme lapses under clause 4.2:

- (1) Pulse must immediately repay (or cause to be repaid) to or at the direction of Healthe Care the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);
- (2) the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to Healthe Care under this Scheme (including under clause 5.2) will immediately cease;

ANNEXURE B – SCHEME

- (3) Healthe Care must return to Pulse the Share Scheme Transfer, if provided pursuant to clause 5.2(1)(a); and
- (4) Pulse is no longer obliged to enter, or procure the entry of, the name of Healthe Care in the Pulse Share Register in accordance with clause 5.2(2).

6.7 Unclaimed monies

- (1) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (2) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Healthe Care.

6.8 Remaining monies (if any) in Trust Account

To the extent that, following satisfaction of Pulse's and Healthe Care's obligations under the other provisions of this clause 6 and provided Healthe Care has by that time acquired the Scheme Shares in accordance with this Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of this Scheme, the Deed Poll and the Scheme Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by Pulse to Healthe Care.

7 Dealings in Scheme Shares

7.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Pulse Shares or other alterations to the Pulse Share Register will only be recognised by Pulse if:

- (1) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Pulse Share Register as the holder of the relevant Pulse Shares on or before 7.00pm on the Scheme Record Date; and
- (2) in all other cases, registrable transmission applications or transfers in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Pulse Share Register is kept,

and Pulse must not accept for registration, nor recognise for any purpose any transmission or transfer application or other request in respect of Scheme Shares received after such times (except a transfer to Healthe Care pursuant to this Scheme and any subsequent transfer by Healthe Care or its successors in title) or received prior to such time but not in registrable or actionable form, as appropriate.

7.2 No disposals after Scheme Record Date

If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Scheme Record Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

7.3 Maintenance of Pulse Share Register

- (1) For the purpose of determining entitlements to the Scheme Consideration, Pulse will maintain or procure the maintenance of the Pulse Share Register in accordance with the provisions of this clause 7 until the Scheme Consideration has

ANNEXURE B – SCHEME

been paid to the Scheme Shareholders. The Pulse Share Register in this form will solely determine entitlements to the Scheme Consideration.

- (2) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, Pulse will ensure that details of the names, Registered Addresses and holdings of Pulse Shares for each Scheme Shareholder as shown in the Pulse Share Register are available to Healthe Care in the form Healthe Care reasonably requires.

7.4 Quotation of Pulse Shares

- (1) Suspension of trading on ASX in Pulse Shares is expected to occur from the close of trading on ASX on the Effective Date.
- (2) After this Scheme has been fully implemented (including registration of the Share Scheme Transfer), on a date to be determined by Healthe Care, Pulse must apply:
 - (a) for termination of the official quotation of Pulse Shares on ASX; and
 - (b) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Power of attorney

Each Scheme Shareholder, without the need for any further act, on the Effective Date, irrevocably appoints Pulse and each of its directors, company secretaries and other officers (jointly and each of them severally) as its attorney and agent for the purpose of:

- (1) enforcing the Deed Poll against Healthe Care; and
- (2) executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Share Scheme Transfer,

and Pulse accepts each such appointment. Pulse as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.1 of this Scheme to all or any of its directors, company secretaries or other officers (jointly, severally or jointly and severally).

8.2 Variations, alterations and conditions

Pulse may, with the consent of Healthe Care (which cannot be unreasonably withheld or delayed), by Pulse's counsel or solicitor consent on behalf of all persons concerned (including each Scheme Shareholder) to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose. Each Scheme Shareholder agrees to any such variations, alterations or conditions which counsel for Pulse or the solicitor for Pulse consents to.

8.3 Further action by Pulse

Pulse must execute all documents and do all things (on its own behalf and on behalf of each Scheme Shareholder) necessary or expedient to implement, and perform its obligations under, this Scheme.

8.4 Authority and acknowledgement

Each of the Scheme Shareholders irrevocably:

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- (1) agrees to the variation, cancellation or modification of the rights attached to their Pulse Shares constituted by or resulting from this Scheme;
- (2) consents to Pulse doing all things necessary or expedient for or incidental to the implementation of this Scheme (whether on behalf of the Scheme Shareholders, Pulse or otherwise) and irrevocably consents to Pulse, as agent of each Scheme Shareholder, sub-delegating Pulse's functions under this clause 8.4(2) to any of Pulse's directors, company secretaries or other officers, jointly and severally; and
- (3) acknowledges that this Scheme binds Pulse and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that Scheme Meeting or vote against this Scheme at that Scheme Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Pulse.

8.5 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Pulse nor any of its directors, company secretaries or employees will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

8.6 Enforcement of Deed Poll

Pulse undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against Healthe Care on behalf of and as agent and attorney for each Scheme Shareholder.

8.7 Stamp duty

Healthe Care will pay all stamp duty (including any related fines, penalties, interest and other costs) payable in respect of this Scheme (including in respect of the Share Scheme Transfer) and the Deed Poll. Healthe Care will indemnify each Scheme Shareholder against any liability arising from Healthe Care's failure to comply with this clause 8.7 of this Scheme.

8.8 Notices

- (1) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Pulse, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Pulse's registered office or at the office of the Pulse Share Registry.
- (2) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Scheme Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9 Governing law

9.1 Governing law

This Scheme is governed by the law in force in New South Wales, Australia.

9.2 Jurisdiction

Each party irrevocably and unconditionally:

ANNEXURE B – SCHEME

- (1) submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in New South Wales, Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document; and
- (2) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

ANNEXURE C – NOTICE OF SCHEME MEETING

PULSE HEALTH LIMITED

ACN 104 113 760

NOTICE OF SCHEME MEETING

Notice of Court ordered Scheme Meeting of Pulse Health Limited

Notice is given that by an order of the Supreme Court of New South Wales made on 31 January 2017 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the holders of fully paid ordinary shares in Pulse Health Limited ACN 104 113 760 (**Pulse**) will be held on Wednesday, 22 March 2017 at **The Marra Room, The Grace Hotel, Level 2, 77 York Street, Sydney NSW 2000 commencing at 9:30 am (Sydney time)**.

The Court has directed that Mr Stuart James, or failing him Craig Coleman, is to act as Chairperson of the Scheme Meeting and has directed the Chairperson to report the result of the Scheme Meeting to the Court.

Information on the Scheme is set out in the Scheme Booklet of which this notice forms part. Terms used in this Notice have the same meaning as set out in section 11 of the Scheme Booklet.

PURPOSE OF MEETING

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve a scheme of arrangement (with or without modifications) proposed to be made between Pulse and Pulse Shareholders.

To enable you to make an informed voting decision, further information on the Scheme is set out in the Scheme Booklet of which this Notice forms part. A copy of the Scheme is set out in Annexure B of the Scheme Booklet and its purpose and effect are discussed throughout the Scheme Booklet.

RESOLUTION

To consider and, if thought fit, with or without amendment, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act (**Scheme Resolution**):

*"That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Pulse Health Limited and holders of its fully paid ordinary shares (**Scheme**), as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting, is approved (with or without any modifications or conditions ordered by the Court to which Pulse Health Limited and Healthe Care Australia Pty Ltd agree)."*

By order of the Court and of the Pulse Board



David Franks
Company Secretary of Pulse

Dated: 1 February 2017

ANNEXURE C – NOTICE OF SCHEME MEETING

MAJORITY REQUIRED FOR THE SCHEME RESOLUTION

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme Resolution to be passed at the Scheme Meeting, it must be agreed to by:

- unless the Court orders otherwise, a majority in number of Pulse Shareholders present and voting (whether in person or by proxy, attorney or corporate representative) at the Scheme Meeting; and
- at least 75% of the total number of votes cast on the Scheme Resolution by the Pulse Shareholders present and voting (whether in person or by proxy, attorney or corporate representative) at the Scheme Meeting.

COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Scheme (with or without modifications or conditions approved by the Court to which Healthe Care Australia Pty Ltd and Pulse agree) must be approved by an order of the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC. If the Scheme Resolution is passed by the required majorities set out above and the other conditions precedent referred to in Section 9.13(2) of the Scheme Booklet (other than receipt of Court approval, lodgement of the Court orders approving the Scheme with ASIC and satisfaction or waiver of such other conditions made or required by the Court as are acceptable to Healthe Care and Pulse) are satisfied or (where applicable) waived in accordance with the Scheme Implementation Deed, Pulse intends to apply to the Court for the necessary orders to give effect to the Scheme.

DETERMINATION OF ENTITLEMENT TO ATTEND AND VOTE

The Court has ordered that a person's entitlement to vote at the Scheme Meeting to consider the Scheme will be determined in accordance with their holding of Pulse Shares (as recorded in the Pulse Register) at 7.00pm on 20 March 2017. Accordingly, those persons will be entitled to attend and vote at the Scheme Meeting and share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

HOW TO VOTE

Voting on the Scheme Resolution at the Scheme Meeting will be conducted by a poll.

Each Pulse Shareholder entitled to vote at the Scheme Meeting can vote in one of the following ways:

- by attending the Scheme Meeting and voting in person;
- by appointing an attorney to attend and vote on their behalf, by providing to Pulse the original (or a certified copy) of the instrument appointing the attorney by no later than 9:30am on 20 March 2017 (unless a copy has already been provided to the Pulse Share Registry),
- by corporate representative (in the case of corporate shareholders), by providing to Pulse a copy of the certificate of appointment of the corporate representative at the Scheme Meeting. The appointment must comply with section 250D of the Corporations Act. A corporate Pulse Shareholder or corporate proxy should

ANNEXURE C – NOTICE OF SCHEME MEETING

obtain a “Certificate of Appointment of Corporate Representative” form from the Pulse Share Registry, and complete and sign the form in accordance with the instructions on it (the corporate representative must attend the Scheme Meeting in person); or

- by appointing a proxy to attend and vote on their behalf, by using the Proxy Form enclosed with the Scheme Booklet.

VOTING IN PERSON

To vote in person, you must attend the Scheme Meeting.

If a Pulse Shareholder holds Pulse Shares jointly with one or more other persons, only one of those joint holders may vote. If more than one of those joint holders attempts to vote in person at the Scheme Meeting, only the vote of the holder whose name appears first on the Pulse Share Register will be counted. See also the comments below regarding the appointment of a proxy by persons who jointly hold Pulse Shares.

VOTING BY PROXY

A Pulse Shareholder who is entitled to attend and vote at the Scheme Meeting can appoint a proxy to attend and vote for them at the Scheme Meeting in accordance with the directions set out on the Proxy Form. A Pulse Shareholder who is entitled to cast two or more votes can appoint no more than two proxies. Each proxy has the right to vote on the poll and also to speak at the Scheme Meeting.

If a Pulse Shareholder appoints two proxies, each proxy may be appointed to represent a specified number or proportion of the shareholder’s voting rights. If a number or proportion is not specified on the Proxy Form, then each proxy is entitled to exercise half of the voting rights regardless of any proportion stated on any other form.

If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as that person thinks fit.

If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the Pulse Shareholder’s behalf on the poll and the Pulse Shares the subject of the proxy appointment will not be counted in determining the required majority.

If a Pulse Shareholder holds Pulse Shares jointly with one or more other persons, each joint holder should sign the proxy form.

A proxy need not be a shareholder of Pulse. A Proxy Form accompanies this notice.

Pulse Shareholders who return their Proxy Form(s) with a direction how to vote but without nominating the identity of their proxy will be taken to have appointed the chairperson of the Scheme Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Scheme Meeting, the chairperson of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Undirected proxy appointments in favour of the chairperson of the Scheme Meeting will be used to support the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pulse Shareholders.

ANNEXURE C – NOTICE OF SCHEME MEETING

For an appointment of a proxy to be effective, the proxy's appointment (and, if the appointment is signed by an attorney, the authority under which it was signed or a certified copy of the authority) must be delivered to and received by Pulse by 9:30am (Sydney time) on Monday, 20 March 2017 (or, if the Scheme Meeting is adjourned or postponed, by no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting) via any of the following methods:

- (a) by appointing a proxy electronically:
 - (i) if you are an individual shareholder - at Pulse's share registry website www.investorvote.com.au and logging in using the control number found on the front of your accompanying Proxy Form;
 - (ii) if you are a custodian or nominee subscribed to Intermediary Online go to www.intermediaryonline.com to lodge your proxy;
- (b) by appointing a proxy electronically via the direct personalised link which was sent to you via email, if you have elected to receive notice of Pulse meetings by email and provided your email address details to the Pulse Share Registry;
- (c) by post to the Pulse Share Registry at Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001 Australia;
- (d) by hand to Computershare Investor Services Pty Limited, 452 Johnston Street, Melbourne Victoria 3067 Australia;
- (e) by fax to the Pulse Share Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);
- (f) by hand to Pulse at Suite 6, Level 22, 227 Elizabeth Street, Sydney NSW Australia; or
- (g) by fax to the Pulse registered office on (02) 8078 6040 (within Australia) or +61 2 8078 6040 (outside Australia).

Proxy forms and accompanying attorney authorities received after this time will be invalid.

A vote given in accordance with the terms of a proxy is valid despite the revocation of the proxy, unless notice in writing of the revocation has been received by Pulse or the Pulse Share Registry (via any of the methods permitted for lodgement of proxy forms as listed above) at least 48 hours before commencement of the Scheme Meeting.

VOTING BY CORPORATE REPRESENTATIVE

A Pulse Shareholder which is a body corporate, may appoint an individual to act as its body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that Pulse will require a certificate of appointment of body corporate representative to be executed by the Pulse Shareholder in accordance with the Corporations Act. A form of certificate may be obtained from the Pulse Share Registry by phoning +61 2 8052 5888. The certificate of appointment may set out restrictions on the representative's powers.

ANNEXURE C – NOTICE OF SCHEME MEETING

A representative of a company attending the Scheme Meeting must bring to the Scheme Meeting satisfactory written evidence of their appointment, including the certificate of appointment of body corporate representative and any authority under which that appointment is signed, unless previously given to the Pulse Share Registry.

VOTING BY ATTORNEY

A Pulse Shareholder may appoint an attorney to attend and vote at the Scheme Meeting on their behalf. An attorney need not be another Pulse Shareholder. Each attorney will have the right to vote on the poll and also to speak at the Scheme Meeting.

The power of attorney appointing a Pulse Shareholder's attorney to attend and vote at the Scheme Meeting must be duly executed by the Pulse Shareholder and specify the name of the Pulse Shareholder, the company (that is, Pulse), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

Pulse Shareholders wishing to vote by attorney must deliver to Pulse the original (or a certified copy) of the instrument appointing the attorney so that it is received by Pulse by no later than 9:30am (Sydney time) on Monday, 20 March 2017 (or, if the Scheme Meeting is adjourned or postponed, by no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting) via any of the following methods:

- (a) by post to the Pulse Share Registry at Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001 Australia;
- (b) by hand to Computershare Investor Services Pty Limited, 452 Johnston Street, Melbourne Victoria 3067 Australia; or
- (c) by fax to the Pulse Share Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia),

(unless the original (or a certified copy) of the instrument appointing the attorney has already been provided to the Pulse Share Registry).

ADVERTISEMENT

Where this notice of Scheme Meeting is advertised unaccompanied by the remainder of the Scheme Booklet, a copy of the full Scheme Booklet can be obtained by anyone entitled to attend the Scheme Meeting from Pulse's website at (<http://www.pulsehealth.net.au/investor-information>) or by contacting Pulse using the contact details below.

Please address all enquiries to Pulse during business hours in Sydney.

Telephone: +61 2 8278 7300

Pulse website: <http://www.pulsehealth.net.au/>

ANNEXURE D – SCHEME IMPLEMENTATION DEED



Final

Dated 30 November 2016

Scheme Implementation Deed

Parties

Healthcare Australia Pty Ltd
ABN 93 117 285 300

Pulse Health Limited
ABN 69 104 113 760

James Stewart
Norton Rose Fulbright Australia
Level 15, RACV Tower, 485 Bourke Street
Melbourne 3000
Tel: +61 3 8686 6573
nortonrosefulbright.com
Our ref: 2840749

ANNEXURE D – SCHEME IMPLEMENTATION DEED

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ANNEXURE D – SCHEME IMPLEMENTATION DEED

Scheme Implementation Deed dated 30 November 2016

Parties

Healthe Care Australia Pty Ltd ABN 93 117 285 300
of 160 Sussex Street, Sydney NSW 2000
(**Healthe Care**)

Pulse Health Limited ABN 69 104 113 760
of Suite 6, Level 22, 227 Elizabeth Street, Sydney NSW 2000
(**Pulse**)

Introduction

- A** Healthe Care wishes to acquire all the ordinary issued Pulse Shares by means of a scheme of arrangement between Pulse and the Scheme Shareholders, under Part 5.1 of the Corporations Act.
- B** At the request of Healthe Care, Pulse has agreed to propose the Scheme, and issue the Scheme Booklet.
- C** Healthe Care and Pulse have agreed to implement the Scheme on and subject to the terms and conditions of this Deed.

It is agreed

1 Definitions and interpretation

1.1 Definitions

In this Deed unless the context otherwise requires, the following words and expressions have meanings as follows:

- (1) **ACCC** means the Australian Competition and Consumer Commission;
- (2) **ACCC Approval** means a clearance set out in clause 3.1(1);
- (3) **Adviser** means, in relation to an entity, its financier, legal adviser, financial adviser or technical or other expert advisers (not including the Independent Expert) or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity;
- (4) **Agreed Announcement** means the announcement to ASX by Pulse in the form set out in Annexure D to this Deed or such other form as the parties may agree;
- (5) **AIFRS** means the International Financial Reporting Standards as adopted in Australia;
- (6) **ASIC** means the Australian Securities and Investments Commission;

ANNEXURE D – SCHEME IMPLEMENTATION DEED

- (7) **ASIC Regulatory Guide** means any regulatory guides issued by ASIC in respect of the Corporations Act;
- (8) **Associate** has the meaning given to that term in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Deed and Pulse or Healthe Care (as applicable) were the designated body;
- (9) **ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it (as the context requires);
- (10) **Break Fee** means \$1,200,000;
- (11) **Business Day** means a business day as defined in the Listing Rules;
- (12) **Claim** means a demand, claim, action or proceeding, however arising and whether present, unascertained, immediate, future or contingent, including any claim for specific performance;
- (13) **Competing Proposal** means an expression of interest, offer or proposal by any person (other than Healthe Care or its Related Bodies Corporate or their Associates) which, if completed, would result in a person (whether directly or indirectly):
 - (a) acquiring a Relevant Interest in Pulse Shares such that the person obtains a total Relevant Interest of 20% or more of the issued Pulse Shares or the issued shares of any material Subsidiary of Pulse;
 - (b) acquiring a legal or equitable interest in all, or a substantial part of, the assets of Pulse or of any material Subsidiary of Pulse not held by that person as at the date of this Deed;
 - (c) acquiring the capacity to control the financial and operating policies, assets or management of Pulse or of a material Subsidiary of Pulse or of a material part of the business of any such entity; or
 - (d) otherwise merging or transacting with, or acquiring or becoming the holder of a significant shareholding or economic interest in, Pulse or a material Subsidiary of Pulse or its businesses or assets and, for the purposes of this Deed other than clause 11, where such transaction:
 - (i) is conditional on the Scheme not becoming Effective, or requires Pulse to abandon, terminate, or fail to proceed with the proposed Transaction with Healthe Care; or
 - (ii) if implemented, would materially reduce the likelihood of the Scheme becoming Effective,

including, without limitation, by way of takeover bid, scheme of arrangement, plan of arrangement, capital reduction, shareholder approved transaction, sale of assets or businesses, sale or purchase of shares, joint venture or partnership, reverse takeover, recapitalisation, debt for equity arrangement or other transaction or arrangement;
- (14) **Conditions Precedent** mean those conditions set out at clause 3.1;
- (15) **Confidentiality Agreement** means the confidentiality agreement between Healthe Care and Pulse dated on or about 19 August 2016;

ANNEXURE D – SCHEME IMPLEMENTATION DEED

- (16) **Corporations Act** means the *Corporations Act 2001* (Cth), as modified from time to time by ASIC class orders and instruments having general application;
- (17) **Court** means the Supreme Court of New South Wales or such other court of competent jurisdiction agreed in writing by Healthe Care and Pulse;
- (18) **Data Room** means the data room established by Pulse, an index to which has been initialled by, or on behalf of, each of Healthe Care and Pulse on or prior to the date of this Deed as a true record of those documents contained in the data room;
- (19) **Deed** means this Scheme Implementation Deed and any schedule or annexure to it;
- (20) **Deed Poll** means a deed to be executed by Healthe Care substantially in the form of Annexure B to this Deed (or in such other form agreed by the parties in writing or required by the Court) under which Healthe Care covenants in favour of the Scheme Shareholders to perform its obligations under the Scheme;
- (21) **Disclosure Materials** means:
 - (a) the documents and information contained in the Data Room or made available to Healthe Care and its Representatives (including by Pulse's insurers) prior to signing of this Deed; and
 - (b) the document containing the written responses from Pulse and its Representatives to requests for further information made by Healthe Care and its Representatives, a copy of which has been initialled by, or on behalf of, the relevant parties for identification on or prior to the date of this Deed;
- (22) **Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme;
- (23) **Effective Date** in relation to the Scheme means the date on which the Scheme becomes Effective;
- (24) **Encumbrance** means a security interest, mortgage, charge, pledge, lien, hypothecation or third party interest of any kind whatsoever, or an agreement or arrangement to create any of them or to allow any of them to exist and **Encumber** has a corresponding meaning;
- (25) **End Date** means 31 May 2017 or such other date as agreed in writing between Healthe Care and Pulse;
- (26) **Exclusivity Deed** means the exclusivity deed between Healthe Care and Pulse dated 20 October 2016, as amended or replaced from time to time;
- (27) **Exclusivity Period** means the period commencing on the date of this Deed and ending on the earlier of:
 - (a) the End Date;
 - (b) the Effective Date; and
 - (c) the date that this Deed is terminated in accordance with its terms;
- (28) **First Court Date** means the first day of the First Court Hearing;

ANNEXURE D – SCHEME IMPLEMENTATION DEED

- (29) **First Court Hearing** means the Court hearing at which an application made to the Court, in accordance with clause 6.1(17), for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard;
- (30) **FY** means financial year;
- (31) **Governmental Agency** includes:
 - (a) ASX, ASIC, ACCC, NZ OIO;
 - (b) any Australian or foreign government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal agency or entity, including a Tax Authority;
 - (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
 - (d) any regulatory organisation established by statute;
- (32) **Headcount Test** means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution is passed at the Scheme Meeting by a majority in number of Pulse Shareholders present and voting, either in person or by proxy;
- (33) **Healthe Care Board** means the board of directors of Healthe Care;
- (34) **Healthe Care Group** means Healthe Care and its Subsidiaries and Related Bodies Corporate, and **member of the Healthe Care Group** means each of those entities;
- (35) **Healthe Care Indemnified Parties** means the directors, officers and employees of Healthe Care's and its Related Bodies' Corporate as at the date of this Deed and from time to time;
- (36) **Healthe Care Information** has the meaning given to the term in clause 6.2(1);
- (37) **Implementation Date** means the third Business Day following the Scheme Record Date (or another date agreed between Healthe Care and Pulse);
- (38) **Independent Expert** means the independent expert appointed by Pulse to opine on whether the Scheme is in the best interests of Pulse Shareholders and to prepare a report for inclusion in the Scheme Booklet in accordance with clause 6.1(5), the Corporations Act and ASIC policy and practice;
- (39) **Independent Expert's Report** means the initial, and any subsequent or supplementary, report produced by the Independent Expert for inclusion in or to accompany the Scheme Booklet;
- (40) **Insolvency Event** means in relation to a person:
 - (a) **Insolvency official:** the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person;
 - (b) **Arrangements:** the entry by the person into a compromise or arrangement with its creditors generally;
 - (c) **Winding up:** the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot

ANNEXURE D – SCHEME IMPLEMENTATION DEED

reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or dissolution of the person other than where the application or order (as the case may be) is set aside within 14 days;

- (d) **Suspends payment:** the person suspends or threatens to suspend payment of its debts generally;
 - (e) **Ceasing business:** the person ceases or threatens to cease to carry on business;
 - (f) **Insolvency:** the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act or under the legislation in the jurisdiction of incorporation of that person; or
 - (g) **Analogous Event:** anything analogous to those set out in any of paragraphs (a) to (f) inclusive occurs under the laws of any foreign jurisdiction;
- (41) **Liability Cap** means:
- (a) for Healthe Care, an amount equal to the aggregate Scheme Consideration, calculated by multiplying the Scheme Consideration by the number of Pulse Shares on issue at the date of this Deed ; and
 - (b) for Pulse, an amount equal to the Break Fee;
- (42) **Listing Rules** means the official listing rules of ASX as from time to time amended or waived in their application to a party;
- (43) **Material Adverse Change** an event, change, condition, matter, circumstance or thing occurring after the date of this Deed (each a **Specified Event**) which, whether individually or when aggregated with all such Specified Events has or will or is reasonably likely to have the effect of a diminution in:
- (a) the value of the consolidated net assets of Pulse Group, taken as a whole, by at least \$5,000,000 against what it would reasonably have been expected to have been but for such Specified Event; or
 - (b) the consolidated earnings before interest expense, tax, depreciation and amortisation and significant and non-recurring items of Pulse Group, taken as a whole, by at least \$1,000,000 in the FY17 financial year for Pulse Group against what it would reasonably have been expected to have been but for such Specified Event;
- other than those Specified Events:
- (c) required or permitted under this Deed or the Scheme;
 - (d) that are fully and fairly disclosed in the Disclosure Materials;
 - (e) agreed to in writing by Healthe Care;
 - (f) that are fully and fairly disclosed in an announcement made to ASX prior to the date of this Deed that is publicly available;

ANNEXURE D – SCHEME IMPLEMENTATION DEED

- (g) resulting from changes in law or in general economic, market, political or business conditions; or
 - (h) resulting from any change occurring directly as a result of a general deterioration in equity markets, interest rates, exchange rates or credit spreads, that impacts Pulse and its competitors in a similar manner;
- (44) **NZ OIO** means the New Zealand Overseas Investment Office;
- (45) **NZ OIO Consent** means the NZ OIO consent set out in clause 3.1(2);
- (46) **NZ Overseas Investment Act** means the Overseas Investment Act 2005 (New Zealand);
- (47) **NZ Overseas Investment Regulations** means the Overseas Investment Regulations 2005 (New Zealand);
- (48) **Officer** means, in relation to an entity, its directors, officers and Senior Executives or any of the entity's Related Bodies Corporate;
- (49) **Option Cancellation Deed** means a deed between Pulse and a Pulse Option holder (in the form approved by Healthe Care acting reasonably) under which those parties agree to cancel all of that Pulse Option holder's Pulse Options with effect on the Implementation Date, conditional on the Scheme becoming Effective, for no consideration.
- (50) **Prescribed Event** means the occurrence of any of the following:
 - (a) Pulse or any of its Subsidiaries converting all or any of its shares into a larger or smaller number of shares;
 - (b) Pulse or any of its Subsidiaries resolving to reduce its share capital in any way;
 - (c) Pulse or any of its Subsidiaries:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
 - (d) Pulse or any of its Subsidiaries declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members to a person that is not a wholly-owned Subsidiary of Pulse, or announcing an intention to do any of the foregoing;
 - (e) Pulse or any of its Subsidiaries issuing shares, or granting an option over its shares to a person that is not a wholly-owned Subsidiary of Pulse, or agreeing to make such an issue or grant such an option to a person that is not a wholly-owned Subsidiary of Pulse;
 - (f) Pulse or any of its Subsidiaries issuing convertible securities or agreeing to issue securities or other instruments convertible into shares or debt securities to a person that is not a wholly-owned Subsidiary of Pulse;
 - (g) Pulse or any of its Subsidiaries disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;

ANNEXURE D – SCHEME IMPLEMENTATION DEED

- (h) Pulse or any of its Subsidiaries creating, or agreeing to create, any mortgage, charge, lien or other Encumbrance over the whole, or a substantial part, of its business or property other than in connection with any rollover or refinancing of existing financial indebtedness fully and fairly disclosed in the Disclosure Materials on terms that Pulse is best able to negotiate, acting reasonably, provided that such rollover or refinancing does not constitute a Material Adverse Change;
- (i) Pulse or any of its Subsidiaries paying, or agreeing to pay, any of its directors, officers, or Senior Executives any payment (including any form of termination payment, retention payment, exertion bonus or debt forgiveness), other than:
 - (i) in accordance with contractual arrangements in effect on the date of this Deed and which are contained in the Disclosure Materials; or
 - (ii) in connection with usual remuneration reviews conducted in the ordinary course of business and consistent with past practice;
- (j) Pulse or any of its Subsidiaries varying any employment or services agreement with one or more of its directors, officers or Senior Executives, or accelerating or otherwise increasing compensation or benefits for any of the foregoing;
- (k) Pulse or any of its Subsidiaries resolving that it be wound up;
- (l) a liquidator, provisional liquidator or administrator of Pulse or any of its Subsidiaries being appointed;
- (m) the making of an order by a court for the winding up of Pulse or any of its Subsidiaries;
- (n) Pulse or any of its Subsidiaries executing a deed of company arrangement;
- (o) a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of Pulse or any of its Subsidiaries being appointed;
- (p) an administrator of Pulse or any of its Subsidiaries being appointed under the Corporations Act;
- (q) Pulse making any change or amendment to its constitution, or any Subsidiary of Pulse making any material change or amendment to its constitution;
- (r) Pulse or any of its Subsidiaries making any change to their accounting practices or policies, other than to comply with generally accepted Australian accounting standards or AIFRS (or their equivalent in the relevant jurisdiction);
- (s) Pulse or any of its Subsidiaries:
 - (i) materially varying or terminating one or more contracts with any private health fund; or
 - (ii) materially adversely varying or terminating one or more contracts which variations or terminations have, or are expected to have, an impact of:

ANNEXURE D – SCHEME IMPLEMENTATION DEED

(A) \$500,000 (individually or in aggregate) or more in gross annual revenue or expenditure for the Pulse Group; or

(B) \$250,000 (individually or in aggregate) or more in gross annual revenue or expenditure in respect of the Gold Coast Surgical Hospital.

This paragraph (s) does not apply to renewal of any existing contract contained in the Disclosure Materials which has expired or is about to expire on terms no less favourable than their current terms as a whole;

(t) Pulse or any of its Subsidiaries entering into contracts or arrangements that generate, or are expected to incur:

(i) \$500,000 (individually or in aggregate) or more in gross annual expenditure for the Pulse Group; or

(ii) \$250,000 (individually or in aggregate) or more in gross annual expenditure in respect of the Gold Coast Surgical Hospital,

other than renewal of any existing contract contained in the Disclosure Materials which has expired or is about to expire or variation of terms which have expired or are about to expire on terms that Pulse is best able to negotiate, acting reasonably;

(u) Pulse or any of its Subsidiaries:

(i) acquiring, leasing or disposing of;

(ii) agreeing to acquire, lease or dispose of; or

(iii) offering, proposing, announcing a bid or tending for the acquisition, leasing or disposal of,

any business, asset, security, entity or undertaking, the value of which exceeds:

(iv) \$500,000 (individually or in aggregate) in respect of the Pulse Group; or

(v) \$250,000 (individually or in aggregate) in respect of the Gold Coast Surgical Hospital,

excluding the renewal or entry into new leases contained in the Disclosure Materials which have expired or are about to expire or are under negotiation on terms that Pulse is best able to negotiate, acting reasonably;

(v) Pulse or any of its Subsidiaries agreeing to incur capital expenditure of more than:

(i) \$500,000 (individually or in aggregate) in respect of the Pulse Group; or

(ii) \$250,000 (individually or in aggregate) in respect of the Gold Coast Surgical Hospital;

(w) Pulse or any of its Subsidiaries incurring or committing to any additional financial indebtedness (including borrowings, loans and advances,

ANNEXURE D – SCHEME IMPLEMENTATION DEED

operating and finance leases or the issue of debt securities or hybrid securities) for one or more related items in excess of:

- (i) \$500,000 (individually or in aggregate) in respect of the Pulse Group; or
- (ii) \$250,000 (individually or in aggregate) in respect of the Gold Coast Surgical Hospital,

other than:

- (iii) any rollover or refinancing of existing financial indebtedness fully and fairly disclosed in the Disclosure Materials on terms that Pulse is best able to negotiate, acting reasonably, provided that such rollover or refinancing does not constitute a Material Adverse Change; or
- (iv) to draw on the Pulse Group's existing working capital facility as at the date of this Deed up to an aggregate amount of \$3,500,000, where the drawing is used only for the purposes of expenditure that does not otherwise constitute a Prescribed Event;
- (x) Pulse or any of its Subsidiaries guaranteeing or indemnifying the obligations of any person other than a member of the Pulse Group, other than guarantees or indemnities given (including in customer or supply contracts) in the ordinary course of business consistent with past practice or in connection with any rollover or refinancing of existing financial indebtedness fully and fairly disclosed in the Disclosure Materials on terms that Pulse is best able to negotiate, acting reasonably, provided that such rollover or refinancing does not constitute a Material Adverse Change;
- (y) Pulse or any of its Subsidiaries providing financial accommodation other than to a wholly-owned Subsidiary of Pulse (irrespective of what form that financial indebtedness takes) in excess of \$250,000 (individually or in aggregate), other than provision of payment terms or trade debt given or incurred in the ordinary course of business consistent with past practice;
- (z) Pulse or any of its Subsidiaries entering into, or resolving to enter into, a transaction with any related party of Pulse, as defined in section 228 of the Corporations Act;
- (i) Pulse or any of its Subsidiaries:
 - (i) settling any legal proceedings, disputed claim, investigation, arbitration or other like proceeding in relation to any matter where the settlement amount payable by Pulse or any of its Subsidiaries exceeds \$250,000;
 - (ii) admitting to fault or liability exceeding \$250,000 in value in respect of any legal proceedings, disputed claim, investigation, arbitration or other like proceeding; or
 - (iii) accepting as a compromise of a matter less than the full compensation due to Pulse or any of its Subsidiaries where the financial impact of the compromise on the Pulse Group is more than \$250,000 (individually or in aggregate),

other than in respect of any legal proceedings, disputed claim, investigation, arbitration or other like proceeding which is fully covered

ANNEXURE D – SCHEME IMPLEMENTATION DEED

(except for deductibles or excess payments) by an existing insurance policy of the Pulse Group fully and fairly disclosed in the Disclosure Materials; or

- (aa) Pulse or any of its Subsidiaries employing an individual who is not an employee as at the time of signing this Deed where the individual reports, or is to report, directly to the Managing Director/Chief Executive Officer of Pulse,

provided that none of the above events will constitute a Prescribed Event where the event is:

- (bb) required or permitted to be done or procured under this Deed or the Scheme;
- (cc) required to be done by law;
- (dd) required pursuant contractual or equitable obligation (including obligation of confidentiality) which any member of the Pulse Group owes to any third party, provided that such contractual or equitable obligation:
 - (i) is in existence at the date of this Deed and has been fully and fairly disclosed in the Disclosure Materials; or
 - (ii) has been entered into following the date of this Deed in compliance with the provisions of this Deed;
- (ee) agreed to in writing by Healthe Care (such consent not to be unreasonably withheld or delayed);
- (ff) fully and fairly disclosed by Pulse in the Disclosure Materials; or
- (gg) fully and fairly disclosed in an announcement made to ASX prior to the date of this Deed that is publicly available;

- (51) **Pulse Board** means the board of directors of Pulse;
- (52) **Pulse Directors** means any person who is a director of Pulse;
- (53) **Pulse Group** means Pulse and its Subsidiaries, and **member of the Pulse Group** means each of those entities;
- (54) **Pulse Indemnified Parties** means the directors, officers and employees of Pulse and its Related Bodies' Corporate as at the date of this Deed and from time to time;
- (55) **Pulse Information** means all information included in or accompanying the Scheme Booklet, other than the Healthe Care Information and the Independent Expert's report that is included in or accompanies the Scheme Booklet;
- (56) **Pulse Option** means an option to acquire a Pulse Share;
- (57) **Pulse Right** means a performance right to acquire a Pulse Share;
- (58) **Pulse Share** means a fully paid ordinary share in the capital of Pulse;
- (59) **Pulse Share Register** means the register of shareholders of Pulse maintained by or on behalf of Pulse in accordance with section 168(1) of the Corporations Act;

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- (60) **Pulse Share Registry** means Computershare Investor Services Pty Limited ABN 48 078 279 277 or any share registry validly appointed to replace it as Pulse's share registry;
- (61) **Pulse Shareholder** means each person who is registered in the Pulse Share Register as a holder of one or more Pulse Shares;
- (62) **Pulse Warranties** means the warranties set out in clause 13.2;
- (63) **Recommendation** means a recommendation that Pulse Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert concluding and continuing to conclude that the Scheme is in the best interests of Pulse Shareholders;
- (64) **Regulator's Draft** means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act;
- (65) **Related Body Corporate** has the meaning given to that term in the Corporations Act;
- (66) **Related Party** means in relation to a party, its directors and officers, its Related Bodies Corporate and each of the directors and officers of those Related Bodies Corporate;
- (67) **Relevant Interest** has the same meaning as given by sections 608 and 609 of the Corporations Act;
- (68) **Representative** means, in relation to an entity:
- (a) each of the entity's Related Parties; and
 - (b) each of the Officers and Advisers of the entity or of any of its Related Parties;
- (69) **Sante Capital Parties** means:
- (a) Sante Capital Investments Pty Ltd (ACN 161 227 014);
 - (b) each other person named in the Form 604 (Notice of change of interests of substantial holder) dated 21 November 2016 and released on the ASX company announcements platform on the same date, in which Sante Capital Investments Pty Ltd (ACN 161 227 014) is named;
 - (c) Mr Ben Thynne;
 - (d) Mr Andrew Savage; and
 - (e) each Associate, and direct or indirect investor, in any person named or referred to in paragraph (a), (b), (c) or (d) above.
- and **Sante Capital Party** means any of them;
- (70) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Pulse and the Scheme Shareholders substantially in the form of Annexure A to this Deed (or as otherwise agreed by Healthe Care and Pulse in writing) subject to any amendments or conditions made or required by the Court pursuant

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to section 411(6) of the Corporations Act to the extent they are approved in writing by Pulse and Healthe Care in accordance with clause 8.2 of the Scheme;

- (71) **Scheme Booklet** means the explanatory statement with respect to the Scheme to be approved by the Court and despatched to Pulse Shareholders, and which must contain a copy of the Scheme, a copy of the Deed Poll, the Independent Expert's Report, a copy or summary of this Deed, a notice of meeting and a proxy form;
- (72) **Scheme Consideration** means \$0.47 per share for each Pulse Share held by a Scheme Shareholder to be paid pursuant to the Scheme;
- (73) **Scheme Meeting** means the meeting to be convened as ordered by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any meeting convened following any adjournment or postponement of that meeting;
- (74) **Scheme Record Date** means 7.00pm on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as Pulse and Healthe Care agree;
- (75) **Scheme Share** means a Pulse Share held by a Scheme Shareholder as at the Scheme Record Date and, for the avoidance of doubt, includes any Pulse Shares issued on or before the Scheme Record Date;
- (76) **Scheme Shareholder** means a holder of one or more Pulse Shares as at the Scheme Record Date;
- (77) **Second Court Date** the first day of the Second Court Hearing or, if the application is adjourned or appealed for any reason, the first day on which the adjourned application or appeal is heard;
- (78) **Second Court Hearing** means the Court hearing at which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard;
- (79) **Senior Executive** means, in relation to an entity, the chief executive officer or managing director of that entity and any employee who reports directly to the chief executive officer or managing director of that entity;
- (80) **Sensitive Information** means information that is commercially sensitive or competitive (and includes customer contracts, past and future non-public pricing information, customer proposals, tenders, quotes, expressions of interest and contracts due for renewal, input costs and third-party contracts, product and service profit margins, board minutes, an entity's FY17 strategy plan and counterparty risk assessments and market analysis);
- (81) **Share Splitting** means a Pulse Shareholder splitting its holding of Pulse Shares into two or more parcels, or a number of affiliated persons acquiring a number of parcels in different names or other manipulative conduct resulting in an increased number of shareholders in Pulse;
- (82) **Standard OIO Special Conditions** means the conditions set out in Annexure E;
- (83) **Subsidiary** has the meaning given to that term in the Corporations Act;
- (84) **Superior Proposal** means a Competing Proposal which the Pulse Board has determined in good faith would, if consummated in accordance with its terms, be reasonably likely to result in a transaction which is more favourable to Pulse Shareholders than the terms of the Scheme, provided that any such determination

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may only be made after consultation with Pulse's legal and financial advisers, taking into account all material legal, financial, regulatory and other aspects of the Competing Proposal and the identity of the relevant third party;

- (85) **Tax** means all forms of taxes, duties, imposts, charges, withholdings, rates, levies, clawbacks or other governmental impositions of whatever nature and by whatever authority imposed, assessed or charged together with all costs, charges, interest, penalties, fines and other additional statutory charges incidental or related to the imposition, assessment or charge of those amounts;
- (86) **Tax Authority** means any Governmental Authority responsible for the imposition, collection or recovery of any Tax;
- (87) **Third Party** means a person other than Healthe Care or its Related Bodies Corporate;
- (88) **Timetable** means the indicative timetable set out in **Annexure C** to this Deed, subject to any amendments as the parties agree to in writing.
- (89) **Transaction** means the acquisition by Healthe Care of all the Pulse Shares held by Scheme Shareholders by means of the Scheme in accordance with the terms of this Deed; and
- (90) **Vendor Information Form** means the Vendor Information Form available at <http://www.linz.govt.nz/regulatory/overseas-investment/making-application/how-apply-for-consent> and which is to be completed by Pulse in connection with the Condition Precedent in clause 3.1(2);
- (91) **Viburnum Entities** means Viburnum Funds Pty Ltd ACN 126 348 990 as trustee for VF Strategic Equities Fund.

1.2 Best and Reasonable Endeavours

Any provision of this Deed which requires a party to use best endeavours or all reasonable endeavours to procure that something is performed or occurs or does not occur does not include any obligation on a party to:

- (1) pay any money, or to provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person in the form of an inducement to procure something (other than the payment of immaterial expenses or costs, including costs of advisers, to procure the relevant thing); or
- (2) do anything that is commercially onerous or unreasonable in the context of this Deed; or
- (3) commence any legal action or proceeding against any person,

except where that provision expressly specifies otherwise.

1.3 Interpretation

In this Deed, headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Deed, and unless the context otherwise requires:

- (1) words importing the singular include the plural and vice versa;
- (2) words importing a gender include any gender;

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- (3) other parts of speech and grammatical forms of a word or phrase defined in this Deed have a corresponding meaning;
- (4) an expression importing a natural person includes any company, partnership, entity, joint venture, association, corporation or other body corporate and any Governmental Agency;
- (5) a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Deed and a reference to this Deed includes any annexure, exhibit and schedule;
- (6) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Governmental Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (7) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (8) a reference to a party to a document includes that party's successors and permitted assigns;
- (9) a reference to a matter being **to the knowledge** of a person means that the matter is to the best of the knowledge and belief of, in the case of Healthe Care, its chief executive officer, chief financial officer and the chairman, and in the case of Pulse, its chief executive officer, chief financial officer and the chairman, in each case after making reasonable enquiries in the circumstances;
- (10) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day;
- (11) no provision of this Deed will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this Deed or that provision;
- (12) a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (13) the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (14) a reference to "\$" is to Australian currency; and
- (15) a reference to any time is a reference to that time in Sydney, Australia.

2 Agreement to Propose Scheme

- 2.1 Pulse will propose the Scheme to its members on and subject to the terms and conditions of this Deed.
- 2.2 Healthe Care will comply with its obligations under the Scheme, and assist Pulse to propose and implement the Scheme, on and subject to the terms and conditions of this Deed.
- 2.3 Healthe Care and Pulse will use their respective best endeavours to implement the Scheme as soon as practicable in accordance with the Timetable.

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3 Conditions Precedent

3.1 Conditions Precedent to the implementation of the Scheme

The Scheme will not become Effective and the obligations of the parties under the Scheme (including the obligations of Healthe Care to pay the Scheme Consideration) will not become binding unless each of the following Conditions Precedent is satisfied or waived in accordance with clause 3.2:

- (1) **ACCC informal merger clearance:** Healthe Care has received informal merger clearance, whether or not obtained after the provision of any undertakings or other concessions requested or required by the ACCC to facilitate such clearance, in respect of the acquisition of Pulse Shares by Healthe Care by notice in writing from the ACCC stating to the effect that the ACCC does not propose to intervene or seek to prevent the acquisition of Pulse Shares by Healthe Care, and that notice has not been withdrawn, revoked or adversely amended before 8.00am on the Second Court Date;
- (2) **NZ OIO Consent:** Healthe Care has received any consent required under the NZ Overseas Investment Act and the NZ Overseas Investment Regulations from the NZ OIO in respect of the acquisition of the Pulse Shares by Healthe Care unconditionally or on terms and conditions acceptable to Healthe Care (acting reasonably), and that consent has not been withdrawn, revoked or adversely amended before 8.00am on the Second Court Date. For the purposes of this clause, any statutory conditions of consent set out in section 28 of the NZ Overseas Investment Act, any Standard OIO Special Conditions and any conditions that reflect positive undertakings specified in Healthe Care's NZ OIO Consent application or otherwise given by Healthe Care to the NZ OIO will be deemed to be acceptable to Healthe Care acting reasonably;
- (3) **No Prescribed Event:** no Prescribed Event occurs between (and including) the date of this Deed and 8.00am on the Second Court Date;
- (4) **No Material Adverse Change:** no Material Adverse Change occurs or is discovered, announced, disclosed or otherwise becomes known to Healthe Care between (and including) the date of this Deed and 8.00am on the Second Court Date;
- (5) **Independent Expert:** the Independent Expert concludes that the Scheme is in the best interest of Pulse Shareholders and provides the Independent Expert's Report containing this conclusion before the date on which the Scheme Booklet is provided to ASIC pursuant to section 411(2) of the Corporations Act, and the Independent Expert does not change or withdraw its recommendation prior to 5.00pm on the day before the Second Court Date;
- (6) **Pulse Shareholder approval:** Pulse Shareholders approve the Scheme by the majorities required under section 411(4)(a)(ii) of the Corporations Act at the Scheme Meeting;
- (7) **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Pulse and Healthe Care; and
- (8) **Restraints:** no law, rule, regulation, restraining order, preliminary or permanent injunction or other legally binding order issued by any court of competent jurisdiction or Governmental Agency preventing or restraining implementation of the Transaction is in effect as at 8.00am on the Second Court Date.

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3.2 Benefit of Conditions Precedent

Other than in respect of the Conditions Precedent in clauses 3.1(6) and 3.1(7), which cannot be waived:

- (1) the Conditions Precedent in clauses 3.1(1), 3.1(3), and 3.1(4) are for the sole benefit of Healthe Care and any breach or non-fulfilment of those conditions may only be waived by Healthe Care giving its written consent and:
 - (a) Healthe Care must use its reasonable endeavours to procure that the Conditions Precedent in clauses 3.1(1) and 3.1(2) are satisfied; and
 - (b) Pulse must use its reasonable endeavours to procure that the Conditions Precedent in clauses 3.1(3) and 3.1(4) are satisfied;
- (2) the Conditions Precedent in clauses 3.1(5) and 3.1(8) are for the benefit of Pulse and Healthe Care and any breach or non-fulfilment of each such condition may only be waived by Pulse and Healthe Care both giving their written consent and each party must use its reasonable endeavours to procure that the Condition Precedent in clause 3.1(8) is satisfied.

3.3 Obligations regarding satisfaction of Conditions Precedent

- (1) Pulse and Healthe Care must co-operate, to the extent reasonably practicable, to assist one another with satisfying their obligations under clause 3.2.
- (2) Each of Pulse and Healthe Care must use their respective reasonable endeavours, and will ensure that each of its Related Bodies Corporate uses its reasonable endeavours, to procure that:
 - (a) each of the Conditions Precedent is satisfied as soon as practicable after the date of this Deed and continues to be satisfied at all times until the last time it is required to be satisfied (as the case may require); and
 - (b) there is no occurrence within the control of Pulse or Healthe Care (as the context requires) or their Related Bodies Corporate that would prevent any Condition Precedent being satisfied, except to the extent required by law,provided that this sub-paragraph (2) ceases to apply after the Pulse Directors have changed their Recommendation in accordance with clause 7.1(2).
- (3) If a party waives the breach or non-fulfilment of a Condition Precedent, that waiver will not preclude it from suing the other party for any breach of this Deed that resulted from the breach or non-fulfilment of the Condition Precedent that was waived, or arising from the same event which gave rise to the breach or non-fulfilment of the Condition Precedent.

3.4 ACCC Approval

Without limiting the generality of clauses 3.2(1)(a), 3.3(1) and 3.3(2):

- (1) Healthe Care must promptly apply for the relevant ACCC Approval, provide a copy of all such applications to Pulse for review as to accuracy prior to any submission to the ACCC, and, to the extent it is within its power to do so, use its reasonable endeavours to procure that the Condition Precedent in clause 3.1(1) is satisfied as soon as possible after the date of this Deed (including by acting reasonably in considering the provision of undertakings or other concessions requested or required by the ACCC to facilitate ACCC clearance);

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- (2) each party must take all steps it is responsible for as part of the ACCC Approval process, including responding to requests for information at the earliest practicable time;
- (3) each party must consult with the other party in advance in relation to all material communications with any Governmental Agency relating to the ACCC Approval and provide the other party with all information reasonably requested in connection with the application for the ACCC Approval; and
- (4) Pulse must provide Healthe Care with all assistance and information reasonably requested by Healthe Care in connection with its application for and obtaining the ACCC Approval, subject to arrangements satisfactory to Pulse to address any considerations of confidentiality, commercial sensitivity and regulatory sensitivity.

3.5 NZ OIO Consent

Without limiting the generality of clauses 3.2(1)(a), 3.3(1) and 3.3(2):

- (1) Healthe Care must:
 - (a) promptly submit its application for NZ OIO Consent to the NZ OIO, and in any event by not later than 5 Business Days after the date of this Deed;
 - (b) prior to submitting its application for NZ OIO Consent to the NZ OIO and any post filing modifications to be made to such application:
 - (i) provide a copy of such application and any such post filing modification to Pulse for its review as to the factual accuracy of the information set down in the application and for compliance with any relevant requirements under the NZ Overseas Investment Act and the NZ Overseas Investment Regulations; and
 - (ii) make any reasonable changes to the relevant document requested by Pulse following its review under clause 3.5(1)(b)(i);
 - (c) use reasonable endeavours to procure that the Condition Precedent in clause 3.1(2) is satisfied as soon as possible after the date of this Deed (including by acting reasonably in considering the provision of any undertakings, concessions or conditions requested or required by the NZ OIO to facilitate Healthe Care's application for NZ OIO Consent);
 - (d) keep Pulse fully informed as to progress in procuring the satisfaction of the Condition Precedent in clause 3.1(2), including promptly providing Pulse with copies of all material correspondence, and details of all material verbal communications, with the NZ OIO in relation to the NZ OIO Consent (provided that any commercially sensitive information regarding the Healthe Care Group in such correspondence or communications may be redacted);
 - (e) not resile from or change, with a consequence that might be adverse to its prospects of obtaining the NZ OIO Consent, any of the assurances or other commitments provided by Healthe Care in or in connection with its application for NZ OIO Consent;
 - (f) diligently progress its application for obtaining NZ OIO Consent (including by responding to the NZ OIO in a fulsome and timely manner and, where applicable, in compliance with prescribed timeframes) so as to expedite obtaining NZ OIO Consent; and

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- (g) not withdraw its application for NZ OIO Consent once submitted to the NZ OIO.
- (2) Pulse must:
 - (a) on or as soon as practicable after, and in any event within 2 Business Days after, the date on which Healthe Care submits its application for NZ OIO Consent to the NZ OIO, submit to the NZ OIO a duly completed Vendor Information Form;
 - (b) prior to submitting the Vendor Information Form to the NZ OIO, provide a copy of the Vendor Information Form to Healthe Care;
 - (c) provide Healthe Care with copies of all notices, applications and other documents in connection with the Vendor Information Form and all related material correspondence between Pulse and the NZ OIO relating to Healthe Care's application for NZ OIO Consent; and
 - (d) provide Healthe Care with all assistance and information reasonably requested by Healthe Care in connection with its application for and obtaining NZ OIO Consent.
- (3) Healthe Care and Pulse must:
 - (a) take all steps they are responsible for as part of the NZ OIO Consent process, including responding to any requests by the NZ OIO for information at the earliest practicable time; and
 - (b) consult with each other in advance in relation to all material communications with the NZ OIO relating to Healthe Care's application for NZ OIO Consent and provide the other all information reasonably requested in connection with Healthe Care's application for NZ OIO Consent.

3.6 Status of Conditions Precedent

- (1) Each party must keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent.
- (2) Each party must promptly give the other party notice of a failure to satisfy a Condition Precedent in clause 3.1 or of any event that will prevent a Condition Precedent in clause 3.1 being satisfied.
- (3) If a Condition Precedent is not satisfied by the time and date specified for satisfaction of that Condition Precedent, then, unless there is no reasonable prospect that the Condition Precedent will be satisfied before the End Date, Pulse must make an application to defer the Second Court Date until such time (being not later than the Business Day before the End Date) as reasonably required to enable the relevant Condition Precedent to be satisfied.
- (4) Other than in respect of the Conditions Precedent in clauses 3.1(6) and 3.1(7), which cannot be waived, the party entitled to waive the non-fulfilment of a Condition Precedent under clause 3.2 must give written notice to the other party within 3 Business Days (and in any event before 5.00pm on the last Business Day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of the Condition Precedent in respect of which notice has been provided under clause 3.6(2).

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3.7 Certificate

- (1) On the Second Court Date, Healthe Care and Pulse will each provide to the Court a certificate, or such other evidence as the Court requests, confirming (in respect of matters within each of their respective knowledge) whether or not the Conditions Precedent (other than the Condition Precedent in clause 3.1(7)) have been satisfied or waived in accordance with the terms of this Deed. Each party will provide a draft of such certificate to the other party by 4.00 pm on the date that is 3 Business Days prior to the Second Court Date.
- (2) The giving of a certificate by each of Healthe Care and Pulse under clause 3.7(1) will be conclusive evidence of the satisfaction or waiver of the Conditions Precedent referred to in the certificate.

3.8 Conditions Precedent not met

- (1) If:
 - (a) there is an event or occurrence that would, or does, prevent any of the Conditions Precedent being satisfied;
 - (b) there is an event or occurrence that would, or does, prevent any of the Conditions Precedent being satisfied by the time and date specified in this Deed for the satisfaction of that Condition Precedent; or
 - (c) it becomes more likely than not that the Scheme will not become Effective by the End Date,the parties will consult in good faith with a view to determining whether:
 - (d) the Scheme or a transaction which results in the acquisition of Pulse by Healthe Care may proceed by way of an alternative approach and, if so, to agree on the terms of such an alternative approach;
 - (e) to agree to extend the date for satisfaction of the relevant Condition Precedent to another date agreed by Pulse and Healthe Care;
 - (f) to extend the End Date; or
 - (g) to adjourn or change the date of an application to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme (as applicable).
- (2) If the Condition Precedent in clause 3.1(6) is not satisfied by reason only of the non-satisfaction of the Headcount Test and either Healthe Care or Pulse considers, acting reasonably, that Share Splitting or some abusive or improper conduct may have caused or materially contributed to the Headcount Test not having been satisfied then Pulse must:
 - (a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
 - (b) make such submissions to the Court and file such evidence as counsel engaged by Pulse to represent it in Court proceedings related to the Scheme, in consultation with Healthe Care, considers is reasonably required to persuade the Court to exercise its discretion under section

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411(4)(a)(ii)(A) of the Corporations Act by making an order to disregard the Headcount Test.

If the Court agrees to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test, the parties acknowledge that it will not be necessary to meet the Headcount Test in order to satisfy the Condition Precedent in clause 3.1(6).

(3) If the parties are unable to reach agreement under clause 3.8(1):

- (a) within 5 Business Days after becoming aware of the relevant event or occurrence that would, or does, prevent a Condition Precedent being satisfied;
- (b) within 5 Business Days after the time and date specified in this Deed for the satisfaction of a Condition Precedent; or
- (c) by the End Date,

as appropriate, then, unless that condition is waived in accordance with clause 3.2, a party may (subject to clause 3.8(4)) terminate this Deed. However, a party may not terminate this Deed pursuant to this clause 3.8(3) if the relevant occurrence or event, the failure of the Condition Precedent to be satisfied, or the failure of the Scheme to become Effective, arises out of a breach of this Deed by that party, although in such circumstances the other party may still terminate this Deed. Termination by a party under this clause 3.8(3) will be without liability to the other party because of that termination (unless the relevant occurrence or the failure of the Condition Precedent to be satisfied, or failure of the Scheme to become Effective, results in a Break Fee being payable pursuant to clause 11).

(4) Termination of this Deed under clause 3.8(3):

- (a) is subject to the rights of the parties under clauses 14, 15, 16, 17 and 18 of this Deed; and
- (b) does not affect any accrued rights of either party arising from any breach of this Deed prior to termination.

4 Scheme

4.1 Outline of Scheme

Subject to the terms and conditions of this Deed, Pulse must propose the Scheme under which, subject to the Scheme becoming Effective, all of the Scheme Shares held by Scheme Shareholders will be transferred to Healthe Care and the Scheme Shareholders will be entitled to receive the Scheme Consideration for each Pulse Share held by them at the Scheme Record Date.

4.2 No amendment to the Scheme without consent

Pulse must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without Healthe Care's prior written consent (such consent not to be unreasonably withheld or delayed in relation to procedural or administrative matters that do not relate to the value of the Scheme Consideration or the Scheme Shares).

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4.3 Scheme Consideration

Healthe Care undertakes and warrants to Pulse (in its own right and separately as nominee for each of the Scheme Shareholders) that, if the Scheme becomes Effective, in consideration of the transfer to Healthe Care of each Pulse Share held by a Scheme Shareholder under the terms of the Scheme, Healthe Care will:

- (1) procure the payment to a trust account operated by Pulse or the Pulse Share Registry as agent for Pulse of cleared funds equal to the aggregate amount of the Scheme Consideration for all Scheme Shares by no later than the Business Day before the Implementation Date; and
- (2) accept the transfer of the Scheme Shares on the Implementation Date.

5 Pulse Options and Pulse Rights

5.1 Cancellation of Pulse Options

- (1) Pulse must procure that each Pulse Option holder enters into an Option Cancellation Deed within 10 Business Days after the date of this Deed.
- (2) Pulse must procure that, subject to the Scheme becoming Effective, each Pulse Option is cancelled with effect subject to and on the Implementation Date in accordance with an Option Cancellation Deed.
- (3) Pulse must make all necessary Listing Rule waiver applications in respect of the cancellation of Pulse Options under the Option Cancellation Deeds.
- (4) No Option Cancellation Deed can be amended or terminated by Pulse without the prior written consent of Healthe Care.

5.2 Expiry and cancellation of Pulse Rights

Pulse must procure that, prior to the Scheme Record Date, each Pulse Right expires or is cancelled for no consideration.

5.3 Healthe Care assistance

Healthe Care will use its reasonable endeavours to assist Pulse in procuring that each Pulse Option holder enters into an Option Cancellation Deed within 10 Business Days after the date of this Deed.

6 Implementation of the Scheme

6.1 Pulse's obligations

Pulse must take all necessary steps to implement the Scheme, including taking each of the following steps and using its best endeavours to do so in accordance with the Timetable:

- (1) **Public Announcement:** release the Agreed Announcement;
- (2) **Scheme Booklet:** prepare a Scheme Booklet and ensure that the Pulse Information complies with all applicable Australian laws, the Listing Rules, applicable ASIC Regulatory Guides and the terms and conditions of any ASIC relief or exemption and any ASX waiver or confirmation and which, in respect of the Pulse Information, is not false, misleading or deceptive in any material respect (whether by omission or otherwise);

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- (3) **Pulse Directors' recommendation:** unless there has been a change of recommendation permitted by clause 7.1(2), state in the Scheme Booklet and the Agreed Announcement (on the basis of statements made to Pulse by each Pulse Director) that all Pulse Directors recommend to Pulse Shareholders that they vote in favour of the Scheme and any other resolution submitted to Pulse Shareholders for their approval in connection with the Scheme, in each case in the absence of a Superior Proposal and subject to the Independent Expert opining that the Scheme is in the best interest of Pulse Shareholders;
- (4) **Pulse Directors' voting:** unless there has been a change of recommendation permitted by clause 7.1(2), use its reasonable endeavours to procure that:
 - (a) each Pulse Director votes any Pulse Shares of which that Pulse Director individually controls (which, for the avoidance of doubt, excludes any Pulse Shares in which the Viburnum Entities have a Relevant Interest) in favour of the Scheme and any other resolution submitted to Pulse Shareholders for their approval in connection with the Scheme and, subject to that Pulse Director providing consent to do so, include a statement in the Scheme Booklet which reflects that voting intention; and
 - (b) each Pulse Director does not change that voting intention;
- (5) **Independent Expert:** as soon as practicable, promptly appoint and brief the Independent Expert (and any other specialist expert required) and provide all assistance and information reasonably requested by the Independent Expert (and any such specialist expert) to enable the preparation of the Independent Expert's Report;
- (6) **Healthe Care Information:** subject to clause 6.4, include the Healthe Care Information in the Scheme Booklet subject to such changes as are agreed by the parties;
- (7) **Consult Healthe Care:**
 - (a) provide to Healthe Care advanced drafts of the Scheme Booklet and the Independent Expert's Report (so that Healthe Care has a reasonable opportunity to review and comment on those drafts, which review of the Independent Expert's Report is to be limited to a factual accuracy review); and
 - (b) consult with Healthe Care in relation to the content of those drafts of the Scheme Booklet and consider in good faith, for the purpose of amending those drafts (as to content and presentation), reasonable comments from Healthe Care and its Representatives on those drafts, provided those comments are provided in a timely manner;
- (8) **Engage suitable counsel:** procure that it is represented by counsel at the First Court Hearing and the Second Court Hearing;
- (9) **Court documents:** consult with Healthe Care in relation to the content of the documents required for the purpose of each Court hearing held, including for the purposes of section 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith, for the purpose of amending drafts of those documents, reasonable comments from Healthe Care and its Representatives on those documents, provided those comments are provided in a timely manner;

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- (10) **Approval of Regulator's Draft:** as soon as practicable after finalisation of an advanced draft of the Regulator's Draft suitable for review by ASIC, procure that a meeting of the Pulse Board (or a committee of the Pulse Board appointed for that purpose) is convened to consider approving the Regulator's Draft as being in a form appropriate for provision to ASIC for review;
- (11) **Application for no appearance letter and section 411(17)(b) statement:** apply to ASIC for the production of:
 - (a) an indication of intent letter stating that it does not intend to appear before the Court at the First Court Hearing; and
 - (b) a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (12) **Liaise with ASIC:** provide copies of the Regulator's Draft to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act and liaise with ASIC;
- (13) **Revisions to Scheme Booklet:**
 - (a) promptly provide to Healthe Care and include in the revised drafts of the Scheme Booklet any new information in relation to the Pulse Group not included in the Regulator's Draft which is required by applicable Australian laws, the Listing Rules and applicable ASIC Regulatory Guides to be included in the Scheme Booklet; and
 - (b) keep Healthe Care promptly informed and consult with Healthe Care regarding any matters raised by ASIC in relation to the Scheme Booklet, including in relation to any presentation and/or the making of any submission in writing or at any proposed meeting with ASIC and use all reasonable endeavours, in co-operation with Healthe Care, to resolve any such matters;
- (14) **Provide a copy of Independent Expert's Report:** on receipt, provide Healthe Care with a copy of the final report received from the Independent Expert (or any other specialist expert);
- (15) **First Court Hearing:** lodge all documents with the Court and take all other reasonable steps to ensure that an application is heard by the Court for an order under section 411(1) of the Corporations Act directing Pulse to convene the Scheme Meeting;
- (16) **Approval of Scheme Booklet:** as soon as practicable after the conclusion of the review by ASIC of the Regulator's Draft, procure that a meeting of the Pulse Board is convened to consider and if thought fit, approve all of the contents of the Scheme Booklet as being in a form appropriate for despatch to the Pulse Shareholders, subject to approval of the Court;
- (17) **Court direction:** promptly after the approvals in clauses 6.1(16) and 6.2(7), apply to the Court for an order under section 411(1) of the Corporations Act directing Pulse to convene the Scheme Meeting to consider the Scheme and take all reasonable steps necessary to comply with the orders of the Court;
- (18) **Registration of explanatory statement:** request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;

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- (19) **Scheme meeting:** take all reasonable steps necessary to comply with the orders of the Court including, as required, despatching the Scheme Booklet to the Pulse Shareholders and promptly convening the holding of the Scheme Meeting in accordance with any orders which are made by the Court pursuant to section 411(1) of the Corporations Act;
- (20) **Pulse Share Register details:**
- (a) provide to Healthe Care all information reasonably requested by Healthe Care about the Pulse Shareholders in order to assist Healthe Care to identify the Scheme Shareholders; and
 - (b) direct the Pulse Share Registry, at the cost of Healthe Care, to promptly provide any information that Healthe Care reasonably requests in relation to the Pulse Share Register including any sub-register and, where requested by Healthe Care, Pulse must procure such information to be provided to Healthe Care in such electronic form as is reasonably requested by Healthe Care;
- (21) **Court order:** (subject to all Conditions Precedent, other than the Condition Precedent in clause 3.1(7), being satisfied or waived in accordance with this Deed) apply to the Court (and to the extent necessary, re-apply) for orders in accordance with sections 411(4)(b) approving the Scheme as approved by the requisite majorities of Pulse Shareholders at the Scheme Meeting;
- (22) **Certificate:** at the Second Court Hearing provide to the Court the certificates referred to in clause 3.7;
- (23) **Implementation of the Scheme:** if the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme:
- (a) lodge with ASIC an office copy of the order of the Court approving the Scheme under section 411(10) of the Corporations Act as soon as possible after it is received, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves the Scheme, or such later time as Pulse and Healthe Care may agree in writing;
 - (b) close the Pulse Share Register as at the Scheme Record Date to determine the identity of the Scheme Shareholders and their entitlements to the Scheme Consideration; and
 - (c) subject to Healthe Care complying with its obligations under clause 4.3 and the Deed Poll and subject to the payment of the Scheme Consideration to all Scheme Shareholders in accordance with the Scheme, promptly execute proper instruments of transfer of and effect and register the transfer of the Scheme Shares to Healthe Care subject to and in accordance with the Scheme;
- (24) **Listing:** take all reasonable and appropriate steps to maintain Pulse's listing on ASX, notwithstanding any suspension of the quotation of Pulse Shares after the Scheme becomes Effective, up to and including at least the Implementation Date, including without limitation, making appropriate applications to ASX and ASIC, and not do anything to cause Pulse to be delisted from ASX unless Healthe Care has agreed in writing;
- (25) **Update Scheme Booklet:** until the date of the Scheme Meeting, promptly update or supplement the Scheme Booklet with, or, if the parties agree (provided that Pulse will not be limited from making any disclosure necessary, in its sole discretion, to comply with its legal obligations), otherwise inform the market by way

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of announcement of, any information that arises after the Scheme Booklet has been despatched that is necessary to ensure that the Scheme Booklet does not contain any material statement that is false or misleading in a material respect including because of any material omission from that statement and seek the Court's approval for the despatch of any updated or supplementary Scheme Booklet. Pulse must consult with Healthe Care as to the content and presentation of any updated or supplementary Scheme Booklet in the manner contemplated by clause 6.1(7); and

- (26) **Compliance with Laws:** do everything reasonably within its powers to ensure that the Scheme is effected in accordance with all laws and regulations applicable in relation to the Scheme.

6.2 Healthe Care obligations

Healthe Care must take all necessary steps within its power to implement the Scheme, including taking each of the following steps and using its best endeavours to do so in accordance with the Timetable:

- (1) **Healthe Care Information:** prepare and as soon as reasonably practicable provide to Pulse all information in relation to Healthe Care that is required to be included in or to accompany the Scheme Booklet to comply with all applicable Australian laws, the Listing Rules, applicable ASIC Regulatory Guides and the terms and conditions of any ASIC relief or exemption and any ASX waiver or confirmation (**Healthe Care Information**) and which is not false, misleading or deceptive in any material respect (whether by omission or otherwise);
- (2) **Assistance with Scheme Booklet and Court documents:** promptly provide all assistance and information reasonably requested by Pulse or its Advisers in connection with the preparation of the Scheme Booklet (including any supplementary disclosure to Pulse Shareholders) and any documents required to be filed with the Court in relation to the Scheme;
- (3) **Independent Expert:** provide all assistance and information reasonably requested by the Independent Expert (and any other specialist expert required) to enable the preparation of the necessary report(s) (including any updates to such reports) for the Scheme Booklet;
- (4) **Review of Scheme Booklet:** as soon as reasonably practicable after delivery, review the drafts of the Scheme Booklet prepared by Pulse and provide comments on those drafts to Pulse as soon as reasonably practicable and in good faith;
- (5) **Consultation with Pulse in relation to Healthe Care Information:** consult with Pulse as to the content and presentation of the Healthe Care Information including:
 - (a) providing drafts of the Healthe Care Information for the purpose of enabling Pulse to review and comment on that draft information;
 - (b) taking all reasonable comments made by Pulse into account in good faith when producing a revised draft of the Healthe Care Information provided that those comments are provided in a timely manner;
 - (c) providing to Pulse a final draft of the Healthe Care Information within a reasonable time before the Regulator's Draft is to be finalised and to enable Pulse to review the Healthe Care Information section of the Regulator's Draft before the date of its submission;
- (6) **Approval of Regulator's Draft:** as soon as practicable after finalisation of an advanced draft of the Regulator's Draft suitable for review by ASIC, approve the

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Healthe Care Information in the Regulator's Draft as being in a form appropriate for provision to ASIC for review;

- (7) **Approval of Scheme Booklet:** as soon as practicable after the conclusion of the review by ASIC of the Regulator's Draft, approve the Healthe Care Information in the Scheme Booklet as being in a form appropriate for despatch to the Pulse Shareholders, subject to approval of the Court;
- (8) **Consent to inclusion of Healthe Care Information:** subject to clause 6.4, promptly after Pulse requests that it does so, confirm in writing to Pulse that it consents to the inclusion of the Healthe Care Information in the Scheme Booklet in the form and context in which the Healthe Care Information appears;
- (9) **Representation:** procure that it is represented by counsel at the First Court Hearing and the Second Court Hearing, at which, through its counsel, Healthe Care will undertake (if requested by the Court) to do all such things and take all such steps within their power as may be necessary in order to ensure the fulfilment of their obligations under the Scheme and the Deed Poll, and, to the extent that leave of the Court is required for Healthe Care to be represented at those Court hearings, apply for that leave;
- (10) **Certificate:** at the Second Court Hearing provide to the Court the certificate referred to in clause 3.7;
- (11) **Scheme Consideration:** if the Scheme becomes Effective, pay or procure the payment of the Scheme Consideration in accordance with clause 4.3(1) of this Deed and the Deed Poll;
- (12) **Share Transfer:** if the Scheme becomes Effective, Healthe Care must accept a transfer of the Scheme Shares as contemplated by clause 4.3(2);
- (13) **Deed Poll:** no later than the Business Day prior to the First Court Date, execute the Deed Poll and deliver the executed Deed Poll to Pulse;
- (14) **New Healthe Care Information:** update the Healthe Care Information with any further or new information about Healthe Care or Guarantor relevant to the Scheme of which it becomes aware that arises after the Scheme Booklet has been despatched and prior to the Scheme Meeting where that is necessary to ensure that the Scheme Booklet continues to comply with all applicable Australian laws, the Listing Rules and applicable ASIC Regulatory Guides;
- (15) **Reasonable assistance:** use its reasonable endeavours to provide any assistance or information reasonably requested by Pulse to ensure that the Scheme is effected in accordance with all laws and regulations applicable in relation to the Scheme; and
- (16) **Compliance with Laws:** do everything reasonably within its powers to ensure that the Scheme is effected in accordance with all laws and regulations applicable in relation to the Scheme.

6.3 Verification

- (1) Prior to provision of the Regulator's Draft to ASIC for review, Pulse must undertake reasonable verification processes in relation to the information included in the Scheme Booklet (other than the Healthe Care Information and the Independent Expert's Report) to ensure that such information is not misleading or deceptive in any material respect and, once those processes have been completed, provide written confirmation to Healthe Care of the completion of such processes, and, in sufficient time for it to be lodged prior to the First Court Date, procure that an

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affidavit is sworn by a member of the Pulse Board or a Senior Executive of Pulse regarding these processes; and

- (2) Prior to provision of the Regulator's Draft to ASIC for review, Healthe Care must undertake reasonable verification processes in relation to the Healthe Care Information included in the Scheme Booklet to ensure that such information is not misleading or deceptive in any material respect and, once those processes have been completed, provide written confirmation to Pulse of the completion of such processes, and, in sufficient time for it to be lodged prior to the First Court Date, procure that an affidavit is sworn by a director or Senior Executive of Healthe Care regarding these processes.

6.4 Dispute as to content of Scheme Booklet

- (1) If Healthe Care and Pulse disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet and use their reasonable endeavours to resolve the dispute within 2 Business Days. If agreement is not reached after reasonable consultation, then:
 - (a) if the disagreement relates to the form or content of the Healthe Care Information contained in the Scheme Booklet, Pulse will, acting in good faith, make such amendments to final form or content as Healthe Care reasonably requires; and
 - (b) if the disagreement relates to the form or content of the Pulse Information contained in the Scheme Booklet, Healthe Care will, acting in good faith, agree to such amendments to final form or content as Pulse reasonably requires,

provided that Pulse will not in any case be required to include any information in the Scheme Booklet which is unverifiable or is, in Pulse's reasonable opinion, misleading or deceptive.

- (2) Even if there is a dispute as to the form or content of the Scheme Booklet and the parties use this procedure, the parties will continue to perform their obligations under this Deed.

6.5 Reconstitution of the Pulse Board

On the Implementation Date, but subject to Healthe Care having provided the Scheme Consideration in accordance with clause 6.2(9), Pulse must:

- (1) cause the appointment to the Pulse Board and to the boards of each Subsidiary of Pulse of such number of persons as nominated by Healthe Care, subject to those persons being appointed having provided a consent to act as directors of the relevant companies; and
- (2) procure that all Pulse Directors and the directors of each Subsidiary of Pulse (other than, in each case, those appointed pursuant to clause 6.5(1)) resign from the Pulse Board and the boards of each Subsidiary of Pulse.

6.6 Removal of Pulse from official list of ASX

If directed by Healthe Care, Pulse must take all steps necessary for Pulse to be removed from the official list of ASX on such Business Day after the Implementation Date as nominated by Healthe Care, including lodging a request for removal with ASX prior to the Implementation Date and Pulse and/or Healthe Care satisfying any conditions reasonably required by ASX for it to act on that request.

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6.7 Scheme Booklet responsibility statement

The Scheme Booklet will contain a responsibility statement to the effect that:

- (1) Pulse is responsible for the Pulse Information contained in the Scheme Booklet, and that Healthe Care and its Representatives do not assume responsibility for the accuracy or completeness of the Pulse Information or any other part of the Scheme Booklet other than the Healthe Care Information;
- (2) Healthe Care is responsible for the Healthe Care Information contained in the Scheme Booklet, and that Pulse and its Representatives do not assume responsibility for the accuracy or completeness of the Healthe Care Information; and
- (3) the Independent Expert has provided and is responsible for the Independent Expert's Report, and that:
 - (a) Pulse and its Representatives do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report; and
 - (b) Healthe Care and its Representatives do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

7 Recommendation, voting intention and announcements

7.1 Recommendation and voting intention

- (1) Pulse represents and warrants to Healthe Care that:
 - (a) the Pulse Board has met and considered the possibility of Healthe Care agreeing to enter into this Deed and that each Pulse Director has informed Pulse that they will make the Recommendation;
 - (b) each Pulse Director has approved the Agreed Announcement; and
 - (c) each Director has indicated that they will vote in favour of the Scheme in respect of all Pulse Shares of which that Pulse Director individually controls (which, for the avoidance of doubt, excludes any Pulse Shares in which the Viburnum Entities have a Relevant Interest), in the absence of a Superior Proposal and provided that the Independent Expert concludes and continues to conclude that the Scheme is in the best interests of Pulse Shareholders.
- (2) Healthe Care acknowledges that a Pulse Director may withdraw, revise, revoke or qualify, or make any public statement inconsistent with, the Recommendation or voting intention in paragraph 7.1(1)(c) where:
 - (a) a Superior Proposal is made; or
 - (b) the Independent Expert concludes that the Scheme is not, or is no longer, in the best interests of Pulse Shareholders; or
 - (c) all of the following requirements are satisfied:
 - (i) the Pulse Directors have, in good faith and acting reasonably, after receiving written advice from Pulse's financial advisers and written legal advice from an Australian Queen's Counsel or Senior Counsel with at least 10 years' experience, determined based on

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such advice that continued compliance with clause 6.1(3) or 7.1(1)(c) would result or is likely to result in a breach of the Pulse Directors' statutory or fiduciary duties; and

- (ii) Pulse has first made reasonable endeavours to communicate to Healthe Care as to the matters, occurrences or events that would give rise to the withdrawal, revision, revocation or qualification, or the making of any public statement inconsistent with, the Recommendation or voting intention in paragraph 7.1(1)(c).

7.2 Further public announcements

Unless and until such time that Pulse Directors change their Recommendation in accordance with clause 7.1(2), any further public announcements by Pulse or Healthe Care in relation to, or in connection with, the Scheme or any other transaction related to this Deed or the Scheme may only be made in a form approved by each party in writing (acting reasonably). Where a party is required by law or the Listing Rules to make any announcement or to make any disclosure in relation to, or in connection with, the Transaction or any other transaction related to this Deed or the Scheme, it may do so to the extent legally required and only then after it has given the other party as much notice as commercially practicable and has consulted to the fullest extent possible in the circumstances with the other party.

7.3 Promotion of Scheme

During the Exclusivity Period, provided that the Pulse Directors have not changed their Recommendation in accordance with clause 7.1(2) Pulse must use best endeavours to procure that the senior executives of Pulse and its Related Bodies Corporate as reasonably requested by Healthe Care, participate in efforts to promote the merits of the Scheme, including:

- (1) meeting with key Pulse Shareholders;
- (2) communication with a selection of Pulse employees, customers, and suppliers and the employees, customers, and suppliers of Pulse's Related Bodies Corporate which are key to the business of the Pulse Group; and
- (3) communicating with the public to promote the merits of the Scheme.

8 Conduct of business

8.1 Conduct of Pulse business

From the date of this Deed up to and including the earlier of the date that this Deed is terminated and the Implementation Date, Pulse must:

- (1) procure that each member of the Pulse Group:
 - (a) conducts its business and its operations in the ordinary and usual course and substantially consistent (subject to any applicable laws, regulations and licence conditions) with the manner in which each such business and operation is conducted prior to the date of this Deed, including using reasonable endeavours to preserve its current business organisation, the services of its current officers and its current relationship with third parties (including Governmental Agencies, rating agencies, customers, suppliers, licensors, licensees and others having business dealings with it);

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- (b) conducts its businesses and operations substantially in accordance with all applicable laws and regulations; and
- (c) subject to clause 12.2(2), where reasonably requested, consult with Healthe Care and provide updates as to the progress of its business and operations, including periodic Pulse Group business and operations updates via:
 - (i) fortnightly informal meetings or conference calls with the managing director of Pulse Group; and
 - (ii) monthly meetings or conference calls involving senior management of Pulse; and
- (2) not, and procure that each member of the Pulse Group does not permit any Prescribed Event to occur, or approve the occurrence of any Prescribed Event, provided that nothing in clause 8.1 restricts the ability of Pulse to take any action:
 - (3) in relation to any matter that is required to be done or procured by Pulse or another member of the Pulse Group pursuant to, or which is otherwise expressly permitted by, this Deed or the Scheme;
 - (4) for which Healthe Care has provided its prior written consent (such consent not to be unreasonably withheld or delayed);
 - (5) which arises as a result of court or Governmental Agency order, injunction or undertaking or otherwise required in order to comply with applicable law; or
 - (6) which is fully and fairly disclosed in the Disclosure Materials as being an action that a member of the Pulse Group will or is likely to carry out between (and including) the date of this Deed and the Implementation Date.

9 Exclusivity

9.1 No existing discussion

Pulse warrants to Healthe Care that, as at the date of this Deed, neither it nor any Representative is currently in negotiations or discussions in respect of any Competing Proposal, nor any proposal likely to reduce the prospects for the Transaction succeeding.

9.2 No shop

During the Exclusivity Period, Pulse must ensure that neither it nor any of its Representatives, directly or indirectly, solicits, initiates, invites or otherwise encourages any enquiries, negotiations or discussions in relation to, or with a view to obtaining, or which would reasonably be expected to encourage or lead to the making of, any expression of interest, offer or proposal from any person in relation to a Competing Proposal, or communicate to any person an intention to do any of the foregoing.

9.3 No talk

During the Exclusivity Period, Pulse must ensure that neither it nor its Representatives directly or indirectly:

- (1) facilitates, enters into or otherwise participates in any negotiations or discussions with any person regarding a Competing Proposal;

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- (2) communicates to any person an intention to do any of the things referred to in clause 9.3(1);
- (3) approves or recommends a Competing Proposal; or
- (4) gives any Third Party any information relating to Pulse or any of its Subsidiaries or any of their businesses or operations in connection with or for the purposes of an actual, proposed or potential Competing Proposal.

9.4 Notification of approaches

If Pulse or any of its Representatives are approached by any person during the Exclusivity Period to discuss or engage in any activity in relation to an actual, proposed or potential Competing Proposal, Pulse must notify Healthe Care within 24 hours in writing of:

- (1) the identity of the person who has made the approach, and the identity of the person making or proposing any actual, proposed or potential Competing Proposal, together with the key terms and conditions of any actual, proposed or potential Competing Proposal;
- (2) any approach, inquiry or proposal made to, and any attempt or any intention on the part of any person to initiate or continue any negotiations or discussions with, that party or any of its Representatives with respect to, or that could reasonably be expected to lead to, any Competing Proposal, whether unsolicited or otherwise;
- (3) any request for information relating to Pulse or any of its Subsidiaries or any of their businesses or operations or any request for access to the books or records of Pulse or any of its Subsidiaries in relation to a Competing Proposal; and
- (4) any breach of this clause 9.4.

9.5 Exceptions to no talk

The restrictions and obligations in clause 9.3 will not apply to the extent that they would restrict Pulse or a Pulse Director or Representative of Pulse from taking any action with respect to a written bona fide offer or proposal for a Competing Proposal which was not directly or indirectly brought about by, or facilitated by, a breach of clause 9.2 if continued compliance with clause 9.3 would, in the opinion of the Pulse Board acting reasonably and in good faith after receiving and considering written advice from Pulse's financial advisers and written legal advice from Pulse's external legal advisers, result or be likely to result in a breach of the Pulse Directors' statutory or fiduciary duties.

9.6 Matching Right

- (1) Without limiting any other provision of this Deed, Pulse must:
 - (a) not enter into an agreement in relation to a Competing Proposal; and
 - (b) procure that none of the directors of Pulse publicly recommend a Competing Proposal,unless:
 - (c) Pulse gives Healthe Care not less than 5 Business Days' notice in writing of its intention to do so accompanied by the key terms and conditions of the Competing Proposal; and
 - (d) the processes in clauses 9.6(2) and 9.6(3) below have been adhered to.

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- (2) If Pulse gives Healthe Care notice in writing under clause 9.6(1), Healthe Care will have the right, but not the obligation, at any time during the period of 5 Business Days following the receipt of the relevant notice, to amend the terms and conditions of the Transaction including but not limited to increasing the amount of consideration offered under the Transaction (**Counter Proposal**) and, if Healthe Care does so, then the board of directors of Pulse must review the Counter Proposal in good faith.
- (3) If the board of directors of Pulse determine that the Counter Proposal (or if Healthe Care does not submit a Counter Proposal, the Transaction) would not be more favourable to Pulse Shareholders than the Competing Proposal (having regard to all aspects of the Transaction (if still relevant), the Counter Proposal and the Competing Proposal), Pulse may terminate this Deed by giving written notice to Healthe Care.

10 Restriction on acquiring securities

Until the End Date, (other than as a result of the transfer of shares by Pulse to Healthe Care under the Scheme) Healthe Care must procure that the Healthe Care Group does not (and must ensure that their Related Bodies Corporate and Associates do not) acquire or offer to acquire, any securities or derivatives or property or any right or option to acquire any securities or property of Pulse unless it has received the prior written consent of Pulse.

11 Break fee

11.1 Background to the Break Fee

Pulse and Healthe Care acknowledge and agree, for the purposes of this clause 11 as follows:

- (1) Healthe Care has required the inclusion of clause 11.4, in the absence of which it would not have entered into this Deed.
- (2) Pulse and the Pulse Directors believe that the Scheme will provide significant benefits to Pulse and Pulse Shareholders, and that it is reasonable and appropriate that Pulse agrees to the inclusion of clause 11.4, in order to secure Healthe Care's execution of this Deed.

11.2 Acknowledgment

- (1) Pulse acknowledges that, if Healthe Care enters into this Deed and the Scheme does not become Effective, Healthe Care will have incurred significant costs and losses, including significant opportunity costs.
- (2) Pulse acknowledges and agrees that the costs and losses actually incurred by the Healthe Care Group will be of such nature that they cannot accurately be ascertained, but that the Break Fee is a genuine and reasonable pre-estimate of the costs and losses that would actually be suffered by the Healthe Care Group in such circumstances, and that the Break Fee has been calculated to reimburse the Healthe Care Group for such costs and losses.
- (3) Pulse represents and warrants that:
 - (a) it has received legal advice on this Deed and the operation of this clause 11; and

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- (b) it considers this clause 11 to be fair and reasonable and that it is appropriate to agree to the terms in this clause 11 in order to secure the significant benefits to it (and Pulse Shareholders) resulting from the Scheme.

11.3 Basis of Break Fee

The amount payable by Pulse pursuant to clause 11.4 is an amount to compensate Healthe Care for the following:

- (1) fees for legal, financial and other advisory costs relating to the planning and implementation of the Scheme;
- (2) reasonable opportunity costs incurred in undertaking the transactions contemplated by this Deed or not engaging in alternative transactions or other strategic initiatives, including reputational costs of Healthe Care being associated with a failed transaction and its resulting loss of market position or credibility;
- (3) cost of management and Healthe Care Directors' time in planning and implementing the Scheme;
- (4) any and all loss incurred by the Healthe Care Group in connection with the Scheme and any breach of this Deed, including any breach of a Pulse Warranty; and
- (5) reasonable out-of-pocket expenses relating to the entry into this Deed and the implementation of the Scheme.

11.4 Payment of Break Fee by Pulse

Subject to clause 11.5, Pulse must pay Healthe Care the Break Fee (plus any GST, only once and without set-off or withholding), within 5 Business Days after receiving a written demand from Healthe Care, if at any time after the date of this Deed any of the following occur:

- (1) **Change of Recommendation:** any of the Pulse Directors fails to make or maintain the Recommendation. The Break Fee is not payable under this clause 11 where a Pulse Director changes his or her Recommendation because the Independent Expert does not conclude that the Scheme is in the best interest of Pulse Shareholders or withdraws or changes such conclusion, other than where the reason for that opinion is a Competing Proposal;
- (2) **Competing Proposal completes:** either:
 - (a) a Competing Proposal is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and, within 12 months of such announcement:
 - (i) the Third Party proposing the Competing Proposal or any Associate of that Third Party acquires a Relevant Interest in at least 50% of the Pulse Shares; or
 - (ii) that Competing Proposal is (or becomes) free from any defeating conditions (or if the Competing Proposal is a scheme of arrangement, the scheme becomes effective), or that Competing Proposal is implemented or consummated; or
 - (b) all of the following occur:

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- (i) the Scheme is voted on, but not approved, by the requisite majorities of Pulse Shareholders at the Scheme Meeting;
 - (ii) any Sante Capital Party voted against the Scheme at the Scheme Meeting; and
 - (iii) within 12 months after the Scheme Meeting, there exists a Competing Proposal (except a Competing Proposal under which a Relevant Interest of less than 50% in Pulse Shares is acquired that is not recommended or otherwise publicly supported by a majority of the Pulse Board) which involves any one or more of the Sante Capital Parties (individually or in aggregate) and that Competing Proposal becomes unconditional or, in the case of a scheme of arrangement, becomes effective;
- (3) **Competing Proposal recommended:** If, before the date on which this Deed is terminated, any Pulse Director recommends that Pulse Shareholders accept, vote in favour of, or otherwise support a Competing Proposal which is announced or made after the date of this Deed; or
- (4) **Material breach:** Pulse is in material breach of this Deed and this Deed is terminated.

11.5 Circumstances where Break Fee not payable by Pulse

The payment of the Break Fee by Pulse under this clause 11 is not required to be paid if:

- (1) the Scheme becomes Effective;
- (2) any member of the Healthe Care Group acquires a Relevant Interest in more than 50% of the Pulse Shares; or
- (3) any member of the Healthe Care Group acquires all or substantially all of the business or assets of the Pulse Group,

or is refundable, to the extent that such reimbursement is found by the Takeovers Panel or a court to be unacceptable or unlawful and the time period for lodging an application for review or a notice of appeal (as applicable) has expired without such an application or notice having been lodged. The parties must take all reasonable steps to ensure that any such finding applies to the minimum extent possible. No party may make, or cause to be made, or encourage or support the making of, any application to the Takeovers Panel or a court for or in relation to a finding referred to in this clause 11.5.

11.6 No further liabilities

Notwithstanding anything else in this Deed, the payment by Pulse of the Break Fee will constitute full and final satisfaction of any and all liability of the Pulse Group and its Representatives to Healthe Care and its Representatives arising out of, or in connection with, termination of this Deed.

12 Co-ordination and timing

12.1 Co-operation

Pulse and Healthe Care must each use all reasonable endeavours and utilise all necessary resources (including management, shareholder, marketing and corporate relations resources, as well as the resources of external advisers) to produce the Scheme Booklet

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and implement the Scheme substantially in accordance with the Timetable (unless otherwise agreed by the parties acting reasonably and in good faith).

12.2 Access by Healthe Care to people and Pulse Information

- (1) Pulse will provide Healthe Care and its Representatives with reasonable access to Pulse, its Representatives and documents, records, and other information (subject to any existing confidentiality obligations owed to third parties or applicable privacy laws) which Healthe Care reasonably requires for the purposes of implementing the Scheme and preparing for carrying on the business of Pulse Group following implementation of the Scheme and Healthe Care acknowledges that information received under this clause is subject to the obligations of confidence under the Confidentiality Agreement.
- (2) Nothing in this Deed will oblige Pulse to provide or procure the provision of:
 - (a) any Sensitive Information to Healthe Care, unless provision of such Sensitive Information would otherwise be required under clause 3.6; or
 - (b) any information or material or copies of documents where to do so would be unlawful; or
 - (c) any information or material or copies of documents that the Senior Executives of the Pulse Group do not have access to.

13 Warranties

13.1 Healthe Care warranties

Save as disclosed in writing by Healthe Care to Pulse prior to execution of this Deed:

- (1) Healthe Care warrants to Pulse (on Pulse's own behalf and separately as trustee or nominee for each of the Pulse Indemnified Parties) each of the matters set out in clause 13.1(2) as at the date of this Deed, the date of the Scheme Meeting, 8.00am on the Second Court Date, the Implementation Date and any other date to which a representation in clause 13.1(2) is expressed to be given.
- (2) Healthe Care warrants to Pulse that:
 - (a) Healthe Care is a validly existing corporation registered under the laws of its place of incorporation;
 - (b) the execution and delivery of this Deed by it has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority to execute and deliver this Deed and to perform or cause to be performed its obligations under this Deed;
 - (c) subject to laws generally affecting creditors' rights and the principles of equity, this Deed constitutes legal, valid and binding obligations on it and execution and performance of this Deed will not result in a breach of or default under:
 - (i) its constitution or equivalent constituent documents of Healthe Care or any of its subsidiaries; or
 - (ii) any agreement or deed or any writ, order or injunction, rule or regulation to which it or any of its Subsidiaries is a party or to which they are bound (except for such breaches or defaults as would not

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have a material adverse effect on the consolidated financial position of Healthe Care) or require any consent, approval, authorisation or permit from any Governmental Agency, except for the ACCC Approval and NZ OIO Approval;

- (d) it is not the subject of an Insolvency Event nor has any regulatory action of any nature of which it is aware been taken that would prevent or restrict its ability to fulfil its obligations under this Deed;
- (e) the Healthe Care Information contained in the Scheme Booklet will be included in good faith and on the understanding that Pulse and its directors will rely on that information for the purposes of considering and approving the Scheme Booklet before it is despatched and implementing the Scheme;
- (f) the Healthe Care Information will comply with the requirements of all applicable Australian laws, the Listing Rules, the applicable ASIC Regulatory Guides and the terms and conditions of any ASIC relief or exemption and any ASX waiver or confirmation;
- (g) as at the date the Scheme Booklet is despatched to Pulse Shareholders, the Healthe Care Information, in the form and context in which that information appears in the version of the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act, will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (h) it will provide Pulse with all such further or new information of which it becomes aware that arises after the Scheme Booklet has been despatched until the date of the Scheme Meeting where that is necessary to ensure that the Scheme Booklet continues to comply with the requirements of all applicable Australian laws, the Listing Rules, the applicable ASIC Regulatory Guides and the terms and conditions of any ASIC relief or exemption and any ASX waiver or confirmation, and that such information is not misleading or deceptive in any material respect (whether by omission or otherwise); and
- (i) all information provided by Healthe Care to Pulse or the Independent Expert will be provided in good faith and on the understanding that the Pulse Board and the Independent Expert will rely on such information for the purposes of considering and approving the Scheme Booklet and for producing its report for the Scheme Booklet respectively.

13.2 Pulse warranties

Save as disclosed in the Disclosure Materials:

- (1) Pulse warrants to Healthe Care each of the matters set out in clause 13.2(2) as at the date of this Deed, the First Court Date, the date the Scheme Booklet is dispatched, the date of the Scheme Meeting, 8.00am on the Second Court Date, and the Implementation Date (except where any statement is expressed to be made only at a particular date).
- (2) Pulse warrants to Healthe Care that:
 - (a) each member of the Pulse Group is a validly existing corporation registered under the laws of its place of incorporation;
 - (b) as at the date of this Deed, Pulse has issued equity securities comprising 257,079,905 Pulse Shares, 1,000,000 Pulse Options and 1,260,000 Pulse

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Rights, and neither Pulse nor any of its Subsidiaries are under any obligation to issue and have not granted any person the right to call for the issue of any shares or other securities (or rights or instruments that may convert into or require the issue of any shares or other securities) in Pulse or any of its Subsidiaries;

- (c) the execution and delivery of this Deed by Pulse has been properly authorised by all necessary corporate action and Pulse has full corporate power and lawful authority to execute and deliver this Deed and to perform or cause to be performed its obligations under this Deed;
- (d) this Deed constitutes legal, valid and binding obligations on it and execution and performance of this Deed will not result in a breach of or default under Pulse's constitution or the constitution of any Subsidiary of Pulse or any material agreement or deed or any writ, order or injunction, rule or regulation to which Pulse or any of its Subsidiaries is a party or to which they are bound or require any consent, approval, authorisation or permit from any Governmental Agency, except for the ACCC Approval and NZ OIO Approval;
- (e) the Pulse Information contained in the Scheme Booklet will be included in good faith and on the understanding that Healthe Care and its directors will rely on that information for the purposes of considering and approving the Healthe Care Information in the Scheme Booklet before it is despatched, approving the entry into the Deed Poll under clause 6.2(13) and implementing the Scheme;
- (f) the Pulse Information will comply with the requirements of all applicable Australian laws, the Listing Rules, the applicable ASIC Regulatory Guides and the terms and conditions of any ASIC relief or exemption and any ASX waiver or confirmation in all material respects, and is not misleading or deceptive in any material respect (whether by omission or otherwise);
- (g) as at the date the Scheme Booklet is despatched to Pulse Shareholders, the Scheme Booklet (excluding the Healthe Care Information and the Independent Expert's Report) will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (h) all information provided by Pulse to Healthe Care or the Independent Expert has been and will be provided in good faith and on the understanding that the Healthe Care Board will rely on such information for the purposes of entering into this Deed, considering and approving the Scheme Booklet and the Independent Expert will rely on such information for producing its report for the Scheme Booklet;
- (i) neither it nor any other member of the Pulse Group is the subject of an Insolvency Event nor has any regulatory action of any nature of which it is aware been taken that would prevent or restrict its ability to fulfil its obligations under this Deed;
- (j) to the best of Pulse's knowledge, it and its Subsidiaries have all material licences, environmental approvals, permits, approved work plans and other consents necessary for operations and activities of its business; and
- (k) it is not in breach of its continuous or periodic financial disclosure obligations under the Listing Rules or the Corporations Act, subject to the announcement of the Scheme and the execution of this Deed and registration of the Scheme Booklet pursuant to clause 6.1(18), and as at the date of this Deed, Pulse is not relying on Listing Rule 3.1A to withhold

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any information from disclosure under the Listing Rules (except in relation to the Scheme and discussions with Health Care);

- (l) it has collated and prepared all of its Disclosure Materials in good faith and, as far as Pulse is aware, its Disclosure Materials have been collated and prepared with all reasonable care and skill, and Pulse has not intentionally:
 - (i) withheld from the Disclosure Materials any information in the Pulse Group's possession:
 - (A) which is not already in the public domain; and
 - (B) which would reasonably be expected to be material to the financial position or financial performance of the business of the Pulse Group; or
 - (ii) included in the Disclosure Materials any information that is misleading in any material respect;
- (m) to the best of Pulse's knowledge, there is no information relating to the Pulse Group or their respective businesses or operations as at the date of this Deed that has or could reasonably be expected to give rise to a Material Adverse Change that has not been publicly disclosed in a document, schedule, report or form furnished or filed with an Australian Governmental Agency or in its Disclosure Materials.

13.3 No termination after Scheme becomes Effective

Any breach of the representations and warranties provided under this clause 13 after, or which is discovered after, the Scheme becomes Effective may only give rise to a claim in damages and cannot result in a termination of this Deed.

13.4 Notifications

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 13.

13.5 Survival of representations

- (1) The representations and warranties provided by each party under this clause 13:
 - (a) are severable;
 - (b) will survive the termination of this Deed; and
 - (c) are given with the intent that liability under them will not be confined to breaches of them discovered prior to the date of termination of this Deed.

14 Liability

14.1 Limitation of liability

A party (**First Party**) is not liable in connection with this Deed for any breach of warranty to the extent that the facts, matters and circumstances giving rise to the breach:

- (1) are fully and fairly disclosed by the First Party to the other party prior to the date of this Deed including via the Disclosure Materials;

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- (2) were within the knowledge of the other party; or
- (3) are directly connected with an action required or permitted to be done or procured by Pulse or its Subsidiaries pursuant to this Deed or the Scheme.

14.2 Cap on liability

- (1) Despite any other provision in this Deed, each party's sole and absolute liability for a breach of this Deed will be limited to a maximum of their respective Liability Cap (in aggregate for all Claims) and, no further damages, fees, expenses or reimbursements of any kind are payable by either party under or in connection with this Deed whatsoever.
- (2) This clause 14 does not exclude the availability of equitable remedies (including the right to seek specific performance of this Deed).

15 Releases and insurance

15.1 Healthe Care Directors and officers

- (1) Pulse releases its rights against, and agrees with Healthe Care that it will not make a Claim against, any Healthe Care Indemnified Party in connection with:
 - (a) any breach of any representations, covenants and warranties of Healthe Care or any member of the Healthe Care Group in this Deed; or
 - (b) any disclosures containing any statement which is false or misleading whether in content or by omission,whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the relevant Healthe Care Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud.
- (2) This clause 15.1 is subject to any restriction contained in the Corporations Act and will be read down accordingly.
- (3) Healthe Care receives and holds the benefit of this clause 15.1 as trustee for each of the Healthe Care Indemnified Parties to the extent it relates to them.

15.2 Pulse directors and officers

- (1) Healthe Care releases its rights against, and agrees with Pulse that it will not make a Claim against, any Pulse Indemnified Party in connection with:
 - (a) the Transaction or any other matter stated or contemplated under this Deed;
 - (b) any breach of any representations, covenants and warranties of Pulse or any member of the Pulse Group in this Deed; or
 - (c) any disclosures containing any statement which is false or misleading whether in content or by omissions,whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the relevant Pulse Indemnified Party has engaged in wilful misconduct or fraud.

ANNEXURE D – SCHEME IMPLEMENTATION DEED

(2) This clause 15.2 is subject to any restriction contained in the Corporations Act and will be read down accordingly.

(3) Pulse receives and holds the benefit of this clause 15.2 as trustee for each of the Pulse Indemnified Parties to the extent it relates to them.

15.3 Deeds of access, indemnity and insurance

(1) Subject to the Scheme becoming Effective and having been implemented, Healthe Care undertakes in favour of Pulse and each director and officer of Pulse or a Subsidiary of Pulse that it will:

(a) to the extent permitted by law, for a period of 7 years from the Implementation Date, ensure that the constitutions of Pulse and each other member of the Pulse Group as at the date of this Deed continue to contain such rules as are contained in those constitutions as at the date of this Deed that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company (and Pulse undertakes not to vary, and must ensure there is no variation of, those constitutional arrangements); and

(b) procure that Pulse and each other member of the Pulse Group as at the date of this Deed complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers as at the date of this Deed (and Pulse undertakes not to vary, and must ensure there is no variation of, those arrangements, except that it may enter into such deeds with newly appointed directors and officers on terms materially consistent with existing deeds as at the date of this Deed) and, without limiting the foregoing, not take any action which would prejudice or adversely affect any directors' and officers' runoff insurance cover taken out prior to the Implementation Date.

(2) This clause 15.3 is subject to any restriction contained in the Corporations Act and will be read down accordingly.

(3) Pulse receives and holds the benefit of this clause 15.3 as trustee for each Pulse Director and each officer of each member of the Pulse Group.

(4) Notwithstanding any other provision of this Deed, Pulse may, prior to the Implementation Date, enter into a run-off insurance policy in respect of any Officer of Pulse and its Subsidiaries for a 7 year period (or longer if Healthe Care agrees, acting reasonably) (**D&O Run Off Policy**), and that any actions to facilitate that insurance or in connection therewith will not be an Prescribed Event or breach any provision of this Deed.

(5) Healthe Care covenants in favour of each person who is an Officer of Pulse as at the date of this Deed that it will not:

(a) amend or modify the terms of any indemnities, rights of advancement of expenses, rights to insurance and/or rights of access to documents or information, under deeds of indemnity, insurance and access (or other agreements) from their terms as at the date of this Deed or to terms that are less favourable than their terms as at the date of this Deed;

(b) amend or cancel the D&O Run Off Policy at any time after the Implementation Date, or do anything or fail to do anything which would prejudice or adversely affect the D&O Run Off Policy (or the cover under such) at any time after Implementation Date.

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16 Termination

16.1 Termination for breach

- (1) This Deed may be terminated at any time prior to 8.00am on the Second Court Date by a party by written notice to the other party if:
 - (a) from the perspective of Healthe Care, Pulse has materially breached this Deed or, from the perspective of Pulse, Healthe Care has materially breached any material clause of this Deed or there has been a material breach of a material representation or warranty given by that other party under clause 13.1 or 13.2 (as applicable) before 8.00am on the Second Court Date;
 - (b) the non-defaulting party has given notice to the other party specifying the relevant circumstances and stating an intention to terminate this Deed; and
 - (c) if the material breach is capable of remedy, it has not been remedied within 5 Business Days (or any shorter period ending at 5.00pm on the last Business Day before the Second Court Date) from the date a notice under clause 16.1(1)(b) is given.

16.2 No-fault termination

This Deed may be terminated by either party by written notice to the other party:

- (1) if the Effective Date for the Scheme has not occurred, or will not occur, on or before the End Date; or
- (2) in accordance with and pursuant to clause 3.8(3).

16.3 Additional Healthe Care termination rights

Healthe Care may terminate this Deed by written notice to Pulse at any time before 8.00am on the Second Court Date if any Pulse Director:

- (1) fails to make or maintain the Recommendation or withdraws or adversely modifies the Recommendation; or
- (2) recommends that Pulse Shareholders accept, vote in favour of, or otherwise support a Competing Proposal which is announced or made after the date of this Deed.

16.4 Additional Pulse termination right

Pulse may terminate this Deed by written notice to Healthe Care at any time before 8.00am on the Second Court Date if both (1) and (2) below are satisfied:

- (1) at least a majority of the Pulse Board:
 - (a) fails to make or maintain the Recommendation or withdraws or adversely modifies the Recommendation; or
 - (b) recommends that Pulse Shareholders accept, vote in favour of, or otherwise support a Competing Proposal which is announced or made after the date of this Deed,

as permitted under clause 7.1(2); and

ANNEXURE D – SCHEME IMPLEMENTATION DEED

- (2) Pulse has complied with all of its obligations under clause 11.

16.5 Effect of termination

- (1) Termination of this Deed under clause 16.1, 16.2, 16.3 or 16.4 (including under clause 3.8(3)) does not affect any accrued rights arising from a breach of this Deed prior to termination.
- (2) Clauses 1, 11, 14, 15, 16, 17 and 18 survive termination of this Deed.

16.6 Remedies

- (1) The parties acknowledge that damages may not be a sufficient remedy for breach of this Deed. Specific performance, injunctive relief or any other remedies which would otherwise be available in equity or law are available as a remedy for a breach or threatened breach of this Deed by any party, notwithstanding the ability of the other party to terminate this Deed or seek damages for such a breach or threatened breach, and notwithstanding any payment of a Break Fee.
- (2) Neither party (**Restrained Party**) will be considered to be in breach of this Deed and no party may make a claim against the Restrained Party for breach of this Deed, in circumstances where the Restrained Party is prevented by an order of a court of competent jurisdiction from performing an obligation under this Deed.

17 Confidentiality Agreement and Exclusivity Deed

- (1) Each party acknowledges and agrees that it continues to be bound by the Confidentiality Agreement after the date of this Deed, and that the terms of this Deed will prevail over the Confidentiality Agreement to the extent of any inconsistency.
- (2) Each party agrees that the Exclusivity Deed terminates on execution of this Deed.

18 General

18.1 Notices

Any communication under or in connection with this Deed:

- (1) must be in writing;
- (2) must be addressed as shown below:

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Health Care

Address: 160 Sussex Street, Sydney NSW 2000
For the attention of: General Counsel
Email: Tony.Marshall@healthecare.com.au
Copy to: Tom.Story@allens.com.au

Pulse

Address: Suite 6, Level 22, 227 Elizabeth Street, Sydney NSW 2000
For the attention of: Managing Director
Email: phillipa.blakey@pulsehealth.net.au
Copy to: james.stewart@nortonrosefulbright.com

(or as otherwise notified by that party to the other party from time to time);

- (3) must be personally delivered or posted by prepaid post to the address, or sent by email to the email address of the addressee, in accordance with clause 18.1(2); and
- (4) will be deemed to be received by the addressee:
- (a) (in the case of prepaid post sent to a domestic address) on the third Business Day after the date of posting;
 - (b) (in the case of a prepaid post sent to an international address) on the fifth Business Day after the date of posting by airmail;
 - (c) (in the case of delivery by hand) on delivery; and
 - (d) (in case of email) 4 hours after the email was sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,

but if the communication would otherwise be taken to be received on a day that is not a Business Day or after 5.00pm (local time in the place of receipt), it is taken to be received at 9.00am (local time in the place of receipt) on the next Business Day.

18.2 GST

In this Deed:

- (1) **GST** means GST as defined in *A New Tax System (Goods and Services Tax) Act 1999* as amended (**GST Act**) or any replacement or other relevant legislation and regulations;
- (2) words or expressions used in this clause which have a particular meaning in the **GST law** (as defined in the GST Act, and also including any applicable legislative

ANNEXURE D – SCHEME IMPLEMENTATION DEED

determinations and Australian Taxation Office public rulings) have the same meaning, unless the context otherwise requires;

- (3) any reference to GST payable by a party includes any corresponding GST payable by the representative member of any GST group of which that party is a member;
- (4) any reference to an input tax credit entitlement by a party includes any corresponding input tax credit entitlement by the representative member of any GST group of which that party is a member; and
- (5) if the GST law treats part of a supply as a separate supply for the purpose of determining whether GST is payable on that part of the supply or for the purpose of determining the tax period to which that part of the supply is attributable, such part of the supply is to be treated as a separate supply.
- (6) Unless expressly included, the consideration for any supply under or in connection with this Deed does not include GST.
- (7) To the extent that any supply made by a party to another party (**Recipient**) under or in connection with this Deed is a taxable supply and a tax invoice has been provided to the Recipient, the Recipient must pay, in addition to the consideration to be provided under this Deed for that supply (unless it expressly includes GST) an amount equal to the amount of that consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply.
- (8) The amount of GST payable in accordance with this clause 18.2 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.

18.3 Discretion in exercising rights

A party may exercise a right or remedy in any way it considers appropriate, unless this Deed expressly states otherwise.

18.4 Severability

Any provision of this Deed that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this Deed nor affect the validity or enforceability of that provision in any other jurisdiction.

18.5 Conflict of interest

The parties' rights and remedies under this Deed may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

18.6 Stamp duties

Healthe Care agrees to pay all stamp duties (if any) and any fines, penalties and interest payable and assessed by legislation or by any revenue office in respect of this Deed or the Scheme or the steps to be taken under or contemplated by this Deed or the Scheme.

18.7 Expenses

Except as otherwise provided in this Deed, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this Deed, the Scheme Booklet, other related documentation and the proposed, attempted or actual implementation of this Deed and the Scheme.

ANNEXURE D – SCHEME IMPLEMENTATION DEED

18.8 Further steps

Each party agrees, at its own expense, to promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party (such as obtaining consents, signing and producing documents and getting documents completed and signed):

- (1) to bind the party and any other person intended to be bound under this Deed;
- (2) to show whether the party is complying with this Deed; or
- (3) to give effect to this Deed.

18.9 Amendments

This Deed, or a right created under it, may only be varied by a document signed by or on behalf of each of the parties.

18.10 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this Deed without the prior written consent of the other party.

18.11 Governing law

- (1) This Deed is governed by and will be construed according to the laws of New South Wales.
- (2) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia and courts of appeal from them.

18.12 Waiver

- (1) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this Deed by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Deed.
- (2) Any waiver or consent given by any party under this Deed will only be effective and binding on that party if it is given or confirmed in writing by that party.
- (3) No waiver of a breach of any term of this Deed will operate as a waiver of another breach of that term or of a breach of any other term of this Deed.

18.13 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this Deed.

18.14 Consents

Any consent referred to in, or required under, this Deed from any party may not be unreasonably withheld, unless this Deed expressly provides for that consent to be given in that party's absolute discretion.

ANNEXURE D – SCHEME IMPLEMENTATION DEED

18.15 Counterparts

This Deed may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart.

18.16 Entire agreement

To the extent permitted by law, in relation to the subject matter of this Deed, this Deed and the Confidentiality Agreement:

- (1) embodies the entire understanding of the parties and constitutes the entire terms agreed upon between the parties; and
- (2) supersedes any prior agreement (whether or not in writing) between the parties.

18.17 No representation or reliance

- (1) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this Deed, except for representations or inducements expressly set out or acknowledged in this Deed.
- (2) Each party acknowledges and confirms that it does not enter into this Deed in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out or acknowledged in this Deed.

18.18 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this Deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

18.19 Remedies cumulative

The rights and remedies provided in this Deed are in addition to other rights and remedies given by law independently of this Deed.

ANNEXURE D – SCHEME IMPLEMENTATION DEED

Executed and delivered as a deed on the date shown on the first page of this Deed

Executed as a deed by **Health Care
Australia Pty Ltd** ABN 93 117 285 300 in
accordance with section 127 of the
Corporations Act 2001:

<signature redacted>

Director/company secretary

<signature redacted>

Director

Name of director/company secretary
(BLOCK LETTERS)

Name of director
(BLOCK LETTERS)

Executed as a deed by **Pulse Health
Limited** ABN 69 104 113 760 in accordance
with section 127 of the *Corporations Act
2001*:

<signature redacted>

Director/company secretary

<signature redacted>

Director

Name of director/company secretary
(BLOCK LETTERS)

Name of director
(BLOCK LETTERS)

ANNEXURE D – SCHEME IMPLEMENTATION DEED

Annexure A – Scheme

 NORTON ROSE FULBRIGHT

Not produced here – please see Annexure B of the Scheme Booklet.

ANNEXURE D – SCHEME IMPLEMENTATION DEED

Annexure B - Deed Poll

 NORTON ROSE FULBRIGHT

Not produced here – please see Annexure A of the Scheme Booklet.

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Annexure C - Timetable

Event	Date
Sign Scheme Implementation Deed and announce transaction	30 November 2016
Lodge Regulator's Draft of Scheme Booklet with ASIC for review	December 2016
First Court Date	January 2017
Scheme Meeting held	March 2017
Second Court Date	March 2017
Lodge court order with ASIC (Effective Date)	March 2017
Scheme Record Date	March 2017
Implementation Date (including registration of shares in name of Healthe Care)	March 2017

NOTES

These dates are indicative only and are subject to change

ANNEXURE D – SCHEME IMPLEMENTATION DEED

Annexure D - ASX Announcement

30 November 2016
Australian Securities Exchange Limited

PULSE HEALTH GROUP RECOMMENDS \$0.47 PER SHARE CASH ACQUISITION PROPOSAL FROM HEALTHE CARE

- *76% premium to 90-day VWAP*
- *Unanimous Board approval*
- *Acquisition Proposal to be implemented by Scheme of Arrangement*

Wednesday, 30 November 2016: Pulse Health Limited (ASX:PHG) (“Pulse”) announces that it has entered into a binding scheme implementation deed with Healthe Care Australia Pty Ltd (“Healthe Care”) in relation to an all cash proposal (the “Acquisition Proposal”) by Healthe Care to acquire 100% of the outstanding shares in Pulse for a cash consideration of \$0.47 per share. The Acquisition Proposal is proposed to be effected via a scheme of arrangement (“Scheme”).

The Chairman of Pulse, Mr Stuart James said the Acquisition Proposal was an attractive opportunity for shareholders to realise a significant premium for their shares, being at:

- 76.0% to the volume weighted average price of \$0.267 for the 90 trading days up to and including 19 October 2016 (one day before the announcement of Healthe Care’s non-binding and indicative proposal);
- 50.9% to the volume weighted average price of \$0.311 for the 30 trading days up to and including 19 October 2016;
- 45.5% to the volume weighted average price of \$0.323 for the 5 trading days up to and including 19 October 2016; and
- 42.4% over the closing price of \$0.330 on 19 October 2016.

Pulse’s Board Unanimously Recommends the Scheme

“The Board unanimously recommends, in the absence of a superior proposal and subject to an independent expert concluding and continuing to conclude that the Scheme is in the bests interests of Pulse shareholders, that shareholders vote in favour of the Scheme,” Mr James said.

Subject to the same qualifications, each Director of Pulse intends to vote all Pulse shares held or controlled by them in favour of the Scheme.

Pulse has appointed Leadenhall as the independent expert to prepare a report on whether the Scheme is in the best interests of Pulse shareholders. The independent expert’s

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report will be included in the Scheme Booklet, which is expected to be distributed to shareholders in February 2017.

Pulse's Chairman, Mr Stuart James said: *"Implementation of the Scheme with Healthe Care would provide shareholders with an immediate and significant increase in value. We consider the Acquisition Proposal price of \$0.47 cash per share reflects Pulse's strong portfolio of private hospitals in Australia and New Zealand and its ability to deliver growth into the future. Healthe Care is an experienced operator in this sector and their expertise will benefit Pulse's patients."*

Scheme Implementation Deed

The scheme implementation deed contains terms which are common for a transaction of this nature, including "no shop", "no talk" provisions, 5 business days matching rights and notification obligations, and a break fee of \$1.2 million payable by Pulse in certain circumstances. The Scheme is also subject to customary regulatory approvals including the Australian Competition and Consumer Commission ("ACCC") and NZ Overseas Investment Office ("NZ OIO").

A copy of the executed scheme implementation deed, including all applicable conditions, is attached to this announcement.

Major Shareholder Intentions

One of the major shareholders in Pulse, Viburnum Funds Pty Ltd as trustee for VF Strategic Equities Fund, which currently holds voting power in 19.29% of the Pulse shares, has informed Pulse that it intends to vote the Pulse shares it holds at the time of the Scheme meeting¹ in favour of the Scheme, in the absence of a superior proposal and subject to the Pulse directors maintaining their unanimous recommendation to the shareholders to vote in favour of the Scheme.

Indicative Timetable and Next Steps

Pulse shareholders do not need to take any action at the present time.

A scheme booklet is expected to be sent to Pulse shareholders in early February 2017. The scheme booklet will contain information relating to the Scheme; the independent expert's report on whether the Scheme is fair and reasonable and in the best interests of Pulse shareholders; reasons for the Board recommendation; and details of the scheme meeting and other matters relevant to Pulse shareholders' vote on the Scheme. If the Scheme is approved and all conditions are satisfied, Healthe Care will acquire all of the shares in Pulse which will then be delisted.

Pulse shareholders will be given the opportunity to vote on the Scheme at the scheme meeting expected to be held in March 2017. Subject to shareholders approval and the other conditions of the Scheme being satisfied, the Scheme is expected to be implemented by the end of March 2017. These dates are indicative and subject to change.

¹ Viburnum has not made any commitment to hold or not dispose of its current shareholding in Pulse. Its voting power at the time of the Scheme meeting may be less or more than 19.29%.

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Pulse's advisers are Allier Capital as financial adviser and Norton Rose Fulbright as legal adviser.

For more information, contact:

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ABOUT PULSE HEALTH

Pulse Health was established in 2007 as an ASX listed private hospital operator. It is a leading operator of specialist private hospitals. Our hospitals, as key members of their communities, partner with local specialist doctors to provide high quality specialist care for local patients.

ABOUT HEALTHE CARE

Healthe Care is a subsidiary of Luye Medical, part of the Luye Group. Healthe Care is the third largest private hospital operator in Australia and one of the country's largest privately-owned healthcare organisations. Healthe Care employs 5,000 people and operates a portfolio of 17 hospitals located in major cities and key regional areas across Australia. These include around 2,000 beds, 50 operating theatres and eight catheterisation labs. The company also provides a range of out-patient services including workplace rehabilitation and community nursing which offer patients flexibility and continuity of care beyond their hospital stay.

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Annexure E – Standard OIO Special Conditions

- (1) The consent will lapse if the investment has not been acquired by and transferred to the applicant within twelve months of the date of consent.
- (2) The applicant must notify the NZ OIO in writing as soon as practicable, and no later than twelve months from the date of consent, whether settlement of the acquisition of the investment took place. If settlement of the acquisition of the Investment did take place, the notice must include:
 - (a) the date of settlement;
 - (b) final consideration paid (plus GST, if any);
 - (c) the structure by which the acquisition was made, and who acquired the investment;
 - (d) where applicable, copies of transfer documents and settlement statements; and
 - (e) any other information that would aid the NZ OIO in its function to monitor conditions of consent.
- (3) The applicant, or the individuals with control of the applicant, must:
 - (a) continue to be of good character; and
 - (b) not become an individual of the kind referred to in section 15 or 16 of the Immigration Act 2009.
- (4) The applicant must notify the NZ OIO in writing within 20 working days if:
 - (a) the applicant, or (if the applicant is not an individual) any individual with control of the applicant:
 - (i) ceases to be of good character; or
 - (ii) commits an offence or contravenes the law (whether convicted or not); or
 - (iii) becomes aware of any other matter that reflects adversely on the applicant's (or the individual with control of the applicant's) fitness to have the Investment; or
 - (iv) becomes an individual of the kind referred to in section 15 or 16 of the Immigration Act 2009;
 - (b) any person in which the applicant, or any individual with control of the applicant has, or had at the time of the offence or contravention, a 25% or more ownership or control interest, commits an offence or contravenes the law (whether convicted or not); or
 - (c) the applicant:

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- (i) ceases to be an overseas person; or
 - (ii) disposes of the investment.
- (5) If requested in writing by the NZ OIO, the applicant must provide a written report within 20 working days (or such other timeframe as specified) on any matter relating to its compliance with:
 - (a) the representations and plans made or submitted in support of the application and notified by the regulator as having been taken into account when the consent was granted; or
 - (b) the conditions of this consent.

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CORPORATE DIRECTORY

PULSE HEALTH LIMITED



Registered Office

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Sydney, New South Wales
Australia 2000

Pulse Directors

Mr Stuart James
(Independent Chairman and Non-Executive Director)

Ms Phillipa Blakey
(Managing Director and CEO)

Mr Craig Coleman
(Non-Executive Director)

Mr David Manning
(Non-Executive Director)

Company Secretary

Mr David Franks

Financial Adviser

Allier Capital
Level 4
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Sydney NSW 2000

Legal Adviser

Norton Rose Fulbright
Grosvenor Place
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