ASX Release

21 February 2017

LifeHealthcare Group Limited Appendix 4D

For the half year ended 31 December 2016

Results for Announcement to the Market

	31 Dec 2016 $'000	31 Dec 2015 $'000	Movement $'000	Movement %
Revenue	61,697	54,400	7,297	13.4%
Profit after income tax expense	2,971	3,054	(83)	(2.7%)
Net profit attributable to security holders	3,976	2,272	1,704	75.0%

Dividend Distributions

	31 Dec 2016 cents	31 Dec 2015 cents
Interim dividend distribution (100% unfranked)	6.25	5.0

- Interim unfranked dividend of 6.25 cents per security was declared on 21 February 2017 (prior comparable period interim dividend 5.0c unfranked). There is no conduit foreign income in this dividend.
- Record date for interim dividend 6 March 2017 and approximate dividend payment date 22 March 2017.

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- The dividend reinvestment plan is in operation for the interim dividend of 6.25 cents per security. Security holders may receive additional securities in substitution for some or all cash distributions in respect of their securities. The last date for the receipt of an election notice for participation in the current period is 7 March 2017. A 2.5% discount is applied on the determined price the securities are issued under the dividend reinvestment plan for the current period distribution. The pricing period and pricing methodology for determining the issue price under the dividend reinvestment plan is five days volume weighted average price after the record date of 6 March 2017.

Net Tangible Asset Backing

	31 Dec 2016 cents	31 Dec 2015 cents
Net tangible assets per security	40	31

Signed:

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Dean Taylor
CFO & Company Secretary

For further information contact:

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LifeHealthcare Group Limited

ABN 72 166 525 186

Interim Financial Report

For the half-year ended 31 December 2016

LifeHealthcare Group Limited
ABN 72 166 525 186

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by LifeHealthcare Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

LifeHealthcare Group Limited is a company limited by shares, incorporated and domiciled in Australia.

The registered office of the company is:
LifeHealthcare Group Limited
C/ TMF Corporate Services (Aust) Pty Limited
Level 16, 201 Elizabeth Street
Sydney NSW 2000

The principal place of business is:
LifeHealthcare Group Limited
Level 8, 15 Talavera Road
North Ryde NSW 2113

Directors' Report

31 December 2016

Your directors present their report on the consolidated entity consisting of LifeHealthcare Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Information on directors

The names of each person who has been a director during the half-year and to the date of this report are:
Bill Best
John Hickey
Donna Staunton
Matthew Muscio
Heith Mackay-Cruise

Company secretary

Dean Taylor was appointed as company secretary on 28 October 2015 and continues in this position as at the date of this report.

Review of operations

LifeHealthcare provides Australian and New Zealand healthcare professionals with innovative medical devices by partnering with world class companies who share the company's vision for innovation and making a real difference to people's lives. Together with supply partners throughout the world, LifeHealthcare works closely with healthcare professionals to ensure the highest standards of patient care and patient outcomes.

Revenue for the six months ended 31 December 2016 was $61.7 million achieving 13.4% revenue growth on the prior comparable period for the six months ended 31 December 2015. 9.6 % of this was from organic growth, which is above market growth rates.

The key contributors to these results were:

- Above market implant growth through new active surgeon (surgeons who generated revenue of $50,000 or greater for LifeHealthcare in the last twelve months) growth of 7% in the half year;
- Further spinal robotics penetration following the placement of two Mazor Renaissance spinal robotic units bringing the installed base to six;
- High growth in complex lower limb reconstruction as well as strong penetration from existing biologics products in orthopaedics; and
- The placement of a mobile CT scanner in the Southern Hemisphere's first stroke ambulance.

Margin as a percentage of sales declined by 5.0% on comparable period due to deterioration of the Australian dollar being partially offset by improved supplier trading terms and strong capital sales at lower margin.

Operating expenses as a percentage of sales reduced by 4.2% on comparable period due to improved expense control and management.

Underlying EBITDA of $9.1 million was achieved with 7.3% growth and underlying NPAT was $3.8 million. Underlying EBITDA excludes transaction costs of $0.5 million which comprised of the net change in estimated acquisition earn-outs for MVA and M4. MVA remains subject to finalisation and acceptance by the seller.

Prudent balance sheet management was maintained which has resulted in continued improvements in working capital, net debt and cash conversion. The net working capital ratio of 30.8% has improved by 60 basis points since the full year FY16 and there has been strong cash conversion of EBITDA to operating cash flows for the half year of 80.2%.

Net debt was $33.7m resulting in net leverage of 1.74x on an annualised basis at end of December.

Directors' Report

31 December 2016

Review of operations

A summary of consolidated revenues and results for the half-year is set out below:

	31 December 2016 $'000	31 December 2015 $'000
Reported revenue	61,697	54,400
Underlying EBITDA	9,143	8,505
Transaction expenses	(453)	(295)
Statutory EBITDA	8,690	8,210
Depreciation	(2,206)	(1,750)
Amortisation of software costs	(63)	(57)
Amortisation of identifiable intangibles	(762)	(780)
Statutory EBIT	5,658	5,623
Net interest	(1,266)	(1,160)
Profit before Income Tax	**4,392**	**4,463**
Tax expense	(1,422)	(1,409)
Profit for the year	**2,971**	**3,054**
Underlying NPATA	**3,821**	**3,807**

* NPATA is defined as net profit after tax excluding amortisation of specifically identifiable intangibles.

	31 December 2016	31 December 2015
EPS (Basic) (Cents)		
Statutory NPAT	**7.0**	7.2
Underlying NPATA	**9.0**	8.9

Significant gains and expenses

The results were affected by the following significant gains and expenses:

	31 December 2016 $'000	31 December 2015 $'000
Expenses		
Transaction related expenses	**453**	295

Directors' Report

31 December 2016

Events occurring after the reporting date

On 21st February 2017 the company approved an interim dividend of 6.25 cents per ordinary share and established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 2.5% discount to the market price.

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

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2016 has been received and can be found on page 4 of the financial report.

ASIC class order 98/100 rounding of amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

This report is signed in accordance with a resolution of the Board of Directors.

Matthew Muscio
Director

Dated 21 February 2017

Auditor's Independence Declaration

As lead auditor for the review of LifeHealthcare Group Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

This declaration is in respect of LifeHealthcare Group Limited and the entities it controlled during the period.

S.T.Maher

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
21 February 2017

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Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2016

	Note	31 December 2016 $'000	31 December 2015 $'000
Revenue		**61,697**	54,400
Cost of goods sold		**(28,861)**	(22,834)
Employee benefits expense		**(15,435)**	(15,189)
Depreciation and amortisation expense	6, 7	**(3,031)**	(2,587)
Director fees		**(187)**	(156)
Distribution expenses		**(1,315)**	(1,099)
Travel expenses		**(1,412)**	(1,480)
Marketing and advertising expenses		**(1,233)**	(1,418)
Motor vehicle expenses		**(134)**	(140)
Occupancy expenses		**(950)**	(796)
Telecommunications expense		**(175)**	(160)
Transaction related expenses, net	4	**(453)**	(295)
Other expenses		**(2,841)**	(2,614)
Finance costs		**(1,267)**	(1,160)
Share of loss from interest in joint venture		**(10)**	(9)
Profit before income taxes		**4,393**	4,463
Income tax expense	4	**(1,422)**	(1,409)
Profit for the half-year		**2,971**	3,054
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		**35**	27
Changes in the fair value of cash flow hedges		**970**	(809)
		1,005	(782)
Total comprehensive income for the half-year		**3,976**	2,272
Profit attributable to:			
Members of the parent entity		**2,971**	3,054
Total comprehensive income attributable to:			
Members of the parent entity		**3,976**	2,272
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)		**7.0**	7.2
Diluted earnings per share (cents)		**6.6**	7.0

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Balance Sheet

As at 31 December 2016

	Note	31 December 2016 $'000	30 June 2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**1,488**	4,051
Trade and other receivables		**24,998**	24,852
Inventories		**37,418**	35,400
Derivative financial assets		**483**	452
TOTAL CURRENT ASSETS		**64,387**	64,755
NON-CURRENT ASSETS			
Investment in joint ventures		**404**	390
Property, plant and equipment	6	**11,187**	10,118
Deferred tax assets		**4,891**	6,074
Intangible assets	7	**27,688**	28,427
TOTAL NON-CURRENT ASSETS		**44,170**	45,009
TOTAL ASSETS		**108,557**	109,764
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**24,776**	24,215
Borrowings	8	**2,856**	2,856
Current tax liabilities		**819**	731
Provisions		**1,543**	1,681
Derivative financial liabilities		**421**	1,563
Other current liabilities		**227**	259
TOTAL CURRENT LIABILITIES		**30,642**	31,305
NON-CURRENT LIABILITIES			
Borrowings	8	**32,371**	33,808
Provisions		**616**	553
Derivative financial liabilities		**434**	647
TOTAL NON-CURRENT LIABILITIES		**33,421**	35,008
TOTAL LIABILITIES		**64,063**	66,313
NET ASSETS		**44,494**	43,451
EQUITY			
Contributed equity		**26,276**	26,276
Reserves		**1,260**	(2)
Retained earnings		**16,958**	17,177
TOTAL EQUITY		**44,494**	43,451

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2016

	Ordinary Shares $'000	Retained Earnings $'000	Foreign Currency Translation Reserve $'000	Share-Based Payment Reserve $'000	Hedge Reserve $'000	Total $'000
Balance at 1 July 2016	**26,276**	**17,177**	**230**	**999**	**(1,231)**	**43,451**
Profit for the half-year	-	**2,971**	-	-	-	**2,971**
Total other comprehensive income for the half-year	-	-	**35**	-	**970**	**1,005**
Transactions with owners in their capacity as owners						
Dividends provided for or paid (Note 9)	-	**(3,190)**	-	-	-	**(3,190)**
Share based payment transactions	-	-	-	**257**	-	**257**
Balance at 31 December 2016	26,276	16,958	265	1,256	(261)	44,494

	Ordinary Shares $'000	Retained Earnings $'000	Foreign Currency Translation Reserve $'000	Share-Based Payment Reserve $'000	Hedge Reserve $'000	Total $'000
Balance at 1 July 2015	26,276	14,995	173	612	987	43,043
Profit for the half-year	-	3,054	-	-	-	3,054
Total other comprehensive income for the half-year	-	-	27	-	(809)	(782)
Transactions with owners in their capacity as owners						
Dividends provided for or paid (Note 9)	-	(3,190)	-	-	-	(3,190)
Share based payment transactions	-	-	-	164	-	164
Balance at 31 December 2015	26,276	14,859	200	776	178	42,289

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2016

	31 December 2016 $'000	31 December 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	68,623	61,101
Payments to suppliers and employees	(61,289)	(60,793)
	7,334	308
Interest received	-	17
Interest paid	(1,266)	(1,159)
Transaction related expenses	-	(295)
Income taxes paid	(622)	(49)
Net cash provided/(used by) by operating activities	5,446	(1,178)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(3,306)	(2,416)
Payment for acquisition of subsidiary, net of cash acquired	-	(8,664)
Payment for investments	(13)	(1)
Net cash used by investing activities	(3,319)	(11,081)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings, net of costs	-	10,902
Repayment of borrowings	(1,500)	(1,000)
Dividends paid	(3,190)	(3,190)
Net cash (used by)/provided by financing activities	(4,690)	6,712
Net decrease in cash and cash equivalents held	(2,563)	(5,547)
Cash and cash equivalents at beginning of the half-year	4,051	6,003
Cash and cash equivalents at end of the half-year	1,488	456

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements

31 December 2016

1 Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ending 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by LifeHealthcare Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(a) New, revised or amending Accounting Standards and Interpretations adopted and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Impact of standards issued but not yet applied by the entity

(i) AASB 9 Financial instruments

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption.

Following the changes approved by the AASB in December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.

Notes to the Condensed Consolidated Financial Statements

31 December 2016

1 Basis of Preparation

(b) Impact of standards issued but not yet applied by the entity

(i) AASB 9 Financial instruments

The Group has not yet assessed how its hedging arrangements and impairment provisions would be affected by the new rules.

The Group has not yet decided whether it should adopt AASB 9 before its mandatory date.

(ii) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Management has assessed the impact of the new rules and has identified that extended warranties are likely to be affected. Extended warranties will need to be accounted for as separate performance obligations, which will delay the recognition of a portion of the revenue.

The Group will make more detailed assessments of the impact over the next six months.

(iii) AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Notes to the Condensed Consolidated Financial Statements

31 December 2016

1 Basis of Preparation

(b) Impact of standards issued but not yet applied by the entity

(iii) AASB 16 Leases

The standard will affect primarily the accounting for the Group's operating leases. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2 Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods. There have been no significant changes since 30 June 2016 in the bases upon which estimates have been determined.

3 Significant changes in the current reporting period

The financial position and performance of the Group has not been impacted by any material event or transaction during the six months to 31 December 2016.

4 Profit and loss information

(a) Transaction related expenses, net

In the period ended 31 December 2016 the Group has reassessed the contingent consideration for Medical Vision Australia Cardiology & Thoracic Pty Limited ("MVA") and M4 Healthcare Pty Limited ("M4"):

- Consideration reassessed as payable for MVA was increased by $753,000 and is accounted for in the profit and loss statement. Consideration payable on 31 December 2016 comprised $1,353,000 and expected to be paid in 1 quarter 2017.

- Consideration payable for M4 in amount of $300,000 was reversed in profit and loss statement as conditions for payment were not satisfied.

Notes to the Condensed Consolidated Financial Statements

31 December 2016

4 Profit and loss information

(b) Income tax expense

Income tax is recognised based on management's estimate on the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the half-year to 31 December 2016 is 32% (2015: 32%).

5 Operating Segments

As disclosed in the 30 June 2016 annual report, the Group operates in one operating segment being the sale of Medical devices in Australia and New Zealand.

Notes to the Condensed Consolidated Financial Statements

31 December 2016

6 Property, plant and equipment

	31 December 2016 $'000	30 June 2016 $'000
Plant and equipment		
At cost	**23,635**	21,235
Accumulated depreciation	**(13,403)**	(11,297)
Total plant and equipment	**10,232**	9,938
Furniture, fixtures and fittings		
At cost	**217**	175
Accumulated depreciation	**(159)**	(150)
Total furniture, fixtures and fittings	**58**	25
Leasehold Improvements		
At cost	**2,323**	1,464
Accumulated depreciation	**(1,426)**	(1,309)
Total leasehold improvements	**897**	155
Total plant and equipment	**11,187**	10,118

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial half-year:

Consolidated	Plant and Equipment $'000	Furniture, Fixtures and Fittings $'000	Leasehold Improvements $'000	Total $'000
Half-year ended 31 December 2016				
Balance at the beginning of half-year	**9,938**	**25**	**155**	**10,118**
Additions	**2,456**	**39**	**848**	**3,343**
Disposals - written down value	**(86)**	-	-	**(86)**
Depreciation expense	(2,076)	(6)	(106)	(2,188)
Balance at the end of the half-year	10,232	58	897	11,187

Notes to the Condensed Consolidated Financial Statements
31 December 2016

7 Intangible Assets

	31 December 2016 $'000	30 June 2016 $'000
Goodwill		
Cost	**64,565**	64,565
Accumulated impairment	**(38,307)**	(38,307)
Net carrying value	**26,258**	26,258
Computer software		
Cost	**3,740**	3,655
Accumulated amortisation	**(3,407)**	(3,345)
Net carrying value	**333**	310
Supply contracts		
Cost	**3,410**	3,410
Accumulated amortisation	**(2,313)**	(1,551)
Net carrying value	**1,097**	1,859
Total Intangibles	**27,688**	28,427

Movements in carrying amounts of intangible assets

	Goodwill $'000	Computer software $'000	Supply contracts $'000	Total $'000
Half-year ended 31 December 2016				
Balance at the beginning of the half-year	**26,258**	**310**	**1,859**	**28,427**
Additions	-	**86**	-	**86**
Amortisation expense	-	**(63)**	**(762)**	**(825)**
Balance at the end of the half-year	**26,258**	**333**	**1,097**	**27,688**

Notes to the Condensed Consolidated Financial Statements
31 December 2016

8 Borrowings

	31 December 2016 $'000	30 June 2016 $'000
CURRENT		
Secured liabilities:		
Bank loans	2,856	2,856

	31 December 2016 $'000	30 June 2016 $'000
NON-CURRENT		
Secured liabilities:		
Bank loans	32,371	33,808

During the half-year there were no defaults or breaches on any of the loans.

Lending facilities are provided under a Senior Facilities Agreement incorporating the following facilities:

- The Multi Option Facility is repayable in October 2017. Components of the facility comprise bank guarantees, corporate credit cards, cash advance facility and a bank overdraft. The facility has a limit of $8,000,000 (30 June 2016: $8,000,000). At 31 December 2016, the facility was drawn to $696,175 for bank overdraft, bank guarantees and corporate credit cards (30 June 2016: $562,222 for bank guarantees and corporate credit cards).

- A loan in the form of cash advance facility was drawn down under a Cash Advance Facility and is repayable at October 2018. This facility has a limit of $39,000,000 (30 June 2016: $39,000,000) which was drawn down to $35,500,000 at 31 December 2016 (30 June 2016: $37,000,000).

Notes to the Condensed Consolidated Financial Statements

31 December 2016

9 Dividends

	31 December 2016 $'000	31 December 2015 $'000
a) Ordinary shares		
Dividends provided for or paid during the half-year	3,190	3,190

	31 December 2016 $'000	31 December 2015 $'000
b) Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim unfranked dividend of 6.25 cents per fully paid ordinary share (2015: 5.0 cents). The aggregate amount of the proposed dividend expected to be paid on or about 22 March 2017 out of retained earnings at 31 December 2016, but not recognised as a liability at the end of the half-year is:	2,658	2,127

10 Fair Value Measurement

The Group measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets and liabilities - Derivatives for hedging
- Deferred consideration for business combination

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

Notes to the Condensed Consolidated Financial Statements

31 December 2016

10 Fair Value Measurement

Fair value hierarchy

The table below shows the assigned level for each asset and liability held at fair value by the Group:

31 December 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Derivative financial assets	-	483	-	483
Derivative financial liabilities (current)	-	(421)	-	(421)
Derivative financial liabilities (non-current)	-	(434)	-	(434)
Contingent consideration	-	-	(1,353)	(1,353)
	-	(372)	(1,353)	(1,725)

30 June 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Derivative financial assets	-	452	-	452
Derivative financial liabilities (current)	-	(1,563)	-	(1,563)
Derivative financial liabilities (non-current)	-	(647)	-	(647)
Contingent consideration	-	-	(790)	(790)
	-	(1,758)	(790)	(2,548)

Transfers between levels of the hierarchy

There were no transfers between levels of the fair value hierarchy.

Fair value measurements

Derivative financial instruments are recognised and measured at fair value in the financial statements. The specific valuation techniques used to value the derivative financial instruments include:

- fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- the fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date.

Notes to the Condensed Consolidated Financial Statements

31 December 2016

11 Contingencies

The Group had the following contingent liabilities at the end of the reporting period:

(a) Guarantees

The Group has a bank guarantee at 31 December 2016 for the performance of certain office lease commitments to a maximum of $498,456 (30 June 2016: $388,827). This may be called upon by the bank on the next review of the facility agreement which is in October 2017.

(b) Investment in Electrocore (Aust) Pty Limited

On 12 June 2012, the Group agreed to contribute up to $2,000,000, to Electrocore (Aust) Pty Limited, a joint venture with Electrocore LLC.

At 31 December 2016, the Group has contributed cash of $772,946 (30 June 2016: $758,985).

12 Events Occurring After the Reporting Date

On 21st February 2017 the company approved an interim dividend of 6.25 cents per ordinary share and established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 2.5% discount to the market price.

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

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 18 are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

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

2. In the directors' opinion, there are reasonable grounds to believe that LifeHealthcare Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Matthew Muscio
Director

Sydney
Dated 21 February 2017

Independent auditor's review report to the members of LifeHealthcare Group Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report for the half-year ended 31 December 2016 of LifeHealthcare Group Limited (the company), which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for LifeHealthcare Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

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

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

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

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PricewaterhouseCoopers

S.T.Maher

Shannon Maher
Partner

Sydney
21 February 2017