2014

PULSE HEALTH LIMITED

ANNUAL REPORT

Contents

Dear Shareholder,

I have pleasure in presenting to you Pulse Health Limited's annual report for the financial year ended 30 June 2014 (FY14). This is my seventh report as your chairman and I believe that the company has never been as financially strong or as well positioned for growth as it is today.

I am also delighted to inform you that for the first time, the Board declared fully franked dividends of 0.5 cents per share.

Reported net profit after tax is $875k and after excluding one off items, underlying net profit is $1.85m.

The last two years have been focussed on strengthening the balance sheet and getting the right foundations in place from which to grow and deliver value to shareholders. The new Shared Services platform, together with strengthened management capability at senior executive and hospital level and a stronger balance sheet following the recent $30m capital raising, all position the company for growth.

The dynamics in the private health care industry continue to be favourable. Government policy continues to encourage private health insurance, and coverage rates remain high – steady at 47%. While data shows more exclusions in terms of what people are covered for, with some people seeking less expensive policies, the general work of private hospitals remains well supported by high private health insurance coverage. Demographics further support growth in the sector, with the ageing population driving growing demand for hospital intervention.

The declaration of our maiden dividend, together with the soundness of the company's financial position, adds to the attractiveness of the company's investment profile. The full repayment of debt following the raising of $30 million capital provides a strong base for the funding of growth through a mix of debt and equity, for acquisitions and greenfield or brownfield developments in accordance with our strategy.

Our shareholders have recognised the strengthening of the company and the positive industry dynamics, with the share price increasing 45% in FY14, to 56 cents.

Pulse's strategy is to grow as a niche operator of specialist private hospitals. We will acquire or develop hospitals in locations in which specialist doctors want to work and live, working collaboratively with these doctors to develop specialised centres of excellence to provide high quality care to patients. The hospitals we develop or acquire will be smaller and probably focused exclusively on surgery, or rehabilitation or mental health.

As a private hospital operator that is not wedded to large multi-service line hospitals with high numbers of beds, I believe that Pulse is ideally placed to meet the growing demand for more niche, individualised service provision via targeted investment in high quality, well located, specialised facilities.

I take this opportunity to thank my fellow directors, especially Craig Coleman, for their commitment to driving and supporting growth and performance in the business. And I thank all staff for a year of very hard work in driving through the many changes so successfully, while ensuring great quality care for patients and great service to our doctors.

Stuart James

Chairman
29 August 2014

Dear Shareholder,

I have pleasure in providing this annual report to the shareholders of Pulse Health, at the end of a year of substantial change and achievement for your company. With the new executive team in place from the beginning of this financial year, it has been a year of positioning for growth, establishing the right growth strategy, and commencing its execution.

The year ended June 2014 (FY14) saw revenue growth of 9% to $52.4m and underlying EBITDA at $4.7m.

There is no uplift in FY14 EBITDA. Underlying this is the market rent now payable at Westmead Rehabilitation Hospital (WRH) as a consequence of the FY13 change in the WRH ownership structure. Lease interest and intangible asset amortisation were removed and replaced with market rent.

Reported EBITDA-R is 8% up at $8.7m.

Revenue growth was driven by additional capacity at Eden Rehabilitation Hospital, with 12 additional beds and Westmead Rehabilitation Hospital, with 5 additional beds.

Throughout FY14, with these additional beds and our acquisition of North Mackay Private Hospital, we increased our total bed capacity by 22%.

Surgical activity at our key surgical sites grew well, up 11% on last year, but the growing trend to day surgery and shorter length of stay resulted in reduced utilisation of surgical beds.

Shared Services Platform

In order to position the company well for growth, and to improve management efficiency and effectiveness, corporate (or "backroom") services were centralised in a scaleable shared services model. Implementation of this model was completed in June, resulting in change:

- From site based accountants to a centralised accounting and accounts payable team
- From individual site based manual payroll systems and people to a fully automated, centrally managed time and attendance system and integrated payroll system
- From site based individuals separately managing quality systems, compliance and implementation of the new national standards to a new centrally developed and managed quality and compliance framework, ensuring compliance with all national standards.
- From site based individually managed HR processes to a centrally developed and managed HR service.

The Shared Services platform now enables more efficient, effective management of our hospitals, with better control of costs, risk and care delivery. It also enables acquisitions to be readily integrated into the Group so that synergies can be quickly delivered, and value effectively gained.

This strategy realised net savings of over $500k.

The very successful integration of North Mackay Private Hospital into the group, with occupancy and profit to date exceeding business case assumptions, was the first test of our integration capability with the new shared services platform.

Growth Strategy

As a private hospital operator, we have two key customer groups – the doctors that bring their patients to our hospitals and treat them there; and the patients who receive that care. We have spent time learning about what these customers want and need, ensuring that we position ourselves to deliver this and designing our strategy to capitalise on our strengths. We have found that doctors respond well to our ability to be close to what happens in our hospitals and adapt in accordance with their needs to ensure that their patients get good care. Our size also enable us to pursue a focused strategy, optimising quality of care and responsiveness to doctors by specialising in niche areas.

We intend to grow via acquisition or development of smaller specialised hospitals. We are establishing a pipeline of opportunities for acquisition or greenfield development of specialist rehabilitation, surgical or mental health hospitals, in locations attractive for specialist doctors to live and work. We will develop dedicated centres of excellence in collaboration with local specialists, enabling very high quality patient outcomes and the delivery of very efficient, effective models of care.

We will continue to expand capacity at our existing hospitals via brownfield developments, as demand indicates. And we will continue to drive higher utilisation across all sites, through targeted investment in surgical equipment, strong community engagement and relationships with our referring and visiting doctors, and high quality patient care. Critical to this is an ongoing focus on the development of a strong engaging, respectful and caring culture across all sites.

Overview of Hospitals

Specialist Rehabilitation Hospitals

Mackay Rehabilitation Hospital (North Mackay Private Hospital), in Northern Queensland, with 34 beds and day therapy was acquired in June. It was opened by the previous owners in February this year, following a complete refurbishment to convert it from a surgical hospital to a rehabilitation hospital. We expect it to take 12 months or so to ramp-up to high occupancy, but since acquisition occupancy has been better than forecast. There is substantial brownfield capacity to exploit once demand indicates.

Westmead Rehabilitation Hospital, located in Western Sydney, with 65 beds, a large day stay program and hydrotherapy, has continued to perform strongly. Five extra rooms (and beds) were added in April, and have seen high occupancy since opening. We are working with the landlord to explore options for additional beds.

Eden Rehabilitation Hospital, located by Noosa on the Sunshine Coast, has 48 beds and a large day therapy program. There is significant brownfield capacity to exploit once demand stabilises at current high levels.

Regional acute hospitals

Forster Private Hospital, with 74 beds, is the largest of our regional acute hospitals. This hospital provides a wide range of services to the local community, with a specialist rehabilitation unit, as well as a surgical unit and other services. The hospital provides medical inpatient care on contract to the Hunter New England Local Health District. Growth here is steady, with additional services such as a dialysis unit (contracting to the Local Health District), developed in accordance with local demand. We are planning to add additional theatre and bed capacity as demand indicates, with substantial brownfield capacity available.

Gympie Private Hospital is a 40 bed hospital with two operating theatres. Twelve of the beds are configured as a day case unit. With high volumes of day case surgery and some demand for overnight surgical care, surgical activity at this hospital has grown well, but bed occupancy remains a challenge. We continue to explore opportunities to add additional services to this site.

South Burnett Private Hospital, our smallest hospital with 22 beds and one operating theatre, has undergone substantial landlord (South Burnett Regional Council) funded refurbishment. These works have impacted on utilisation, but we expect improved utilisation in FY15.

Outlook for FY15

We anticipate EBITDA growth from existing assets in excess of 20% above FY14 as a consequence of:

- Full year effect of 17 additional beds
- Modest occupancy growth
- Cost efficiencies from the new shared services platform
- Procurement savings
- Improved rostering and skill-mix, supported by the new Time and Attendance system.

With the ramp-up of Mackay Rehabilitation Hospital (North Mackay Private) expected to take place steadily across FY15, we assume only break-even occupancy, but current trading indicates this could be stronger.

We aim to make one or more EBITDA positive acquisition(s) of specialist hospitals in FY15, as opportunities prove to be suitable, while establishing greenfield development opportunities in keeping with our specialist hospital strategy.

At the completion of my first year of Pulse Health, with so many wonderful opportunities to grow and exploit gaps in the market for high quality specialist private health care provision, I am excited about the potential for your company. This excitement is fuelled by the great people I work with, and I would like to sincerely thank my two fellow directors, my two senior executive colleagues, my hospital general managers, and all our wonderful staff, who go above and beyond, every day, for our patients.

Phillipa Blakey

Managing Director and Chief Executive Officer
29 August 2014

The Directors of Pulse Health Limited ('Pulse Health') present their Report together with the financial statements of the consolidated entity, being Pulse Health Limited ('the Company') and its controlled entities ('the Group') for the year ended 30 June 2014.

Director details

The following persons were Directors of Pulse Health Limited during or since the end of the financial year.

Mr Stuart James
BA (Hons), MAICD, FAIM

Independent Non-Executive Director
Independent Chairman

Director Since 2007

Stuart is an experienced executive within the financial and healthcare sectors. Stuart's 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).

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 to January 2002.

Other Current Directorships
Affinity Education Group Ltd (ASX:AFJ)
Greencross Limited (ASX:GXL)
Prime Financial Group Limited (ASX:PFG)

Previous Directorships (last 3 years)
Phosphagenics Ltd
Coneco Limited
Interest in shares:
2,740,625 shares

Interest in options/rights:
None

Mr Craig Coleman
BCom

Non-Executive Director

Director since 2010

Craig is the executive chairman of Viburnum Funds Pty Ltd, a private investment company based in Perth, Western Australia and a non-executive director of the Wyllie Group Pty Ltd.

He is a former Managing Director of Home Building Society Limited.

Prior to joining Home Building Society, Craig 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
Amcom Telecommunications Limited (ASX:AMM)
Bell Financial Group Limited (ASX:BFG)
Keybridge Capital Limited (ASX:KBC)
Rubik Financial Limited (ASX:RFL)

Previous Directorships (last 3 years)
Lonestar Resources Limited (ASX;LNR)

Interest in shares:
1,501,250 shares

Interest in options/rights:
None

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

Appointed 23 May 2014

Phillipa has been Pulse Health Group CEO since June 2013 before being appointed Managing Director in May 2014.

Phillipa is an experienced healthcare executive with a track record in strategy and performance improvement. 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 Phillipa was CEO and director of Think Education Pty Ltd, the private higher education provider previously owned by SEEK Group.

Phillipa is a director of Bairo Pite Hospital (Australia) Ltd

Other Current Directorships
None

Previous Directorships (last 3 years)
None

Interest in shares:
None

Interest in options/rights:
525,000 rights

Former Directors
Andrew Gregory was a director of the company from the beginning of the year until his resignation on 23 May 2014.

Company Secretary
David Franks is a chartered accountant and experienced company secretary. David is currently company secretary of the following public companies: Armidale Investment Corporation Limited, Amerod Exploration Limited, ELK Petroleum Limited, Pulse Health Limited, White Energy Technology Limited and White Energy Company Limited.

Operating and financial review

Principal activity

During the year, the principal activities of entities within the Group were:

- acquisition and operation of smaller niche specialist private hospitals; and
- provision of in-home health and homecare.

Group financial highlights

Pulse had revenue for the financial year of $52.4m up 9% on the previous year and this has led to an underlying EBITDA of $4.7m after excluding one off items.

Highlights of Pulse's financial performance for the financial year include:

- Underlying EBITDA-R increase of 9% to $8.7m (2013 $8.0m)
- Operating cashflow increased 53% to $2.3m (2013 $1.5m)
- 3 year annual compound revenue growth of 12%
- Inaugural dividend of 0.5 cents per share fully franked declared; and
- Strengthened balance sheet and no gearing.

Segment Performance

Segment Revenue	FY14 $'000	FY13 $'000	Change	Change %
Private Hospitals	49,466	44,951	4,515	10%
Community Care	2,820	3,006	(186)	-6%
Corporate / Unallocated	64	(63)	127	-202%
Totals	52,350	47,894	4,456	9%

Segment EBITDA	FY14 $'000	FY13 $'000	Change	Change %
Private Hospitals	7,425	6,670	755	11%
Community Care	(76)	47	(123)	-262%
Corporate / Unallocated	(2,670)	(2,004)	(666)	33%
Totals	4,679	4,713	(34)	-1%

Private Hospitals

The private hospitals performed well with revenues up 10% to $49.5m and underlying EBITDA up 11% to $7.4m.

Removing the comparative distortion caused by the change in ownership structure of Westmead Rehabilitation Hospital in FY13, the underlying improvement in EBITDA when compared to the previous period is 20%. This restructure removed lease interest and intangible amortisation offset by application of market rent.

Community Care

Community care has under-performed and Management is undertaking a strategic review of operations with the aim of enhancing performance in 2015.

Reconciliation of AIFRS and non AIFRS financial information

The directors believe the presentation of non-AIFRS financial information is useful for readers of this document as it provides information on the company's profit results that is consistent with equity valuation and investment research methodologies generally adopted in Australia.

The following table reconciles the reported AIFRS profit result in the Statement of Profit and Loss appearing in the attached financial report to underlying operating EBITDA and NPAT.

	2014 $'000	2013 $'000
Net profit after tax as reported	**875**	**2,734**
Income tax expense	78	840
Depreciation and amortisation	760	754
Finance costs (net)	1,533	2,408
Rent paid	3,972	3,261
Acquisition activity expenses and associated costs	825	546
Goodwill Impairment	-	997
Gain on Westmead finance lease restructure (profit)	-	(4,153)
Termination Payments	130	407
Loss on discontinued recruitment business (Tax effect: $4)	-	176
Relocation costs	118	-
Provision for SGC	360	-
EBITDA-R *	**8,651**	**7,970**
Rent paid	(3,972)	(3,261)
EBITDA *	**4,679**	**4,709**
Depreciation and amortisation	(760)	(754)
EBIT *	**3,919**	**3,955**
Finance costs (net)	(1,533)	(2,408)
Profit before tax	**2,386**	**1,547**
Income tax expense	(531)	(1,183)
Net profit after tax before significant items *	**1,855**	**364**

* Non AIFRS financial information, reviewed, not audited

For the financial year ended 30 June 2014 the following significant and non-recurring expenses were incurred:

- During the year the company incurred acquisition and integration costs of $0.825m in the acquisition of North Mackay Private Hospital together with costs associated with development of the acquisition pipeline.

- The company incurred $130k in redundancy costs associated with the development of the shared services platform and centralisation of key back office functions, including finance, payroll and quality and risk.

- As a part of the centralisation of the payroll function it has been identified that superannuation expenses may have been under calculated.

- Costs associated with relocation of the corporate office to Castlereagh Street Sydney of $118k.

- Income tax expense has been adjusted for the tax benefit of losses recognised during the year ended 30 June 2014 of $1.51m (FY13 $1.16). The tax benefit of these losses at 30% (FY13 30%) is $454k (FY13 $347k.) Further tax losses available for recognition in future years is $987k.

Outlook
We anticipate EBITDA growth from existing assets in excess of 20% above FY14 as a consequence of:

- Full year effect of 17 additional beds
- Modest occupancy growth
- Cost efficiencies from the new shared services platform
- Procurement savings
- Improved rostering and skill-mix, supported by the new Time and Attendance system.

With the ramp-up of Mackay Rehabilitation Hospital (North Mackay Private) expected to take place steadily across FY15, we assume only break-even occupancy, but current trading indicates this could be stronger.
We aim to make one or more EBITDA positive acquisitions of specialist hospitals in FY15, as opportunities prove to be suitable.

Significant changes in the state of affairs
During the year, the following changes occurred within the Group:

- Acquisition of North Mackay Private Hospital:

  On 17 June 2014, the Group acquired 100% of the hospital business of the North Mackay Private Hospital (North Mackay), a newly established specialist rehabilitation hospital in Mackay, Queensland. The acquisition further enhances the Group's position as a specialist rehabilitation hospital operator with four specialist facilities being operated. The cost of the acquisition was $3.0m which was settled in cash.

- Completed two brownfield expansions with 17 new beds

- Issue of share capital:

  During April and May 2014, the Group issued 50,000,000 shares as part of its capital raising program which resulted in proceeds of $28.6m net of capital raising costs. Each share has the same terms and conditions as the existing ordinary shares.

- Repayment of Debt Facility

  Following the successful capital raising, bank debt facilities were fully repaid. New facilities will be established to fund further acquisition and development activities as required.

Dividends
In respect of the current year, no interim dividend was paid (2013: $Nil).

Since the end of the financial year, the Directors have declared a fully franked final dividend of $820,000 (0.5c per share) to be paid on 3 October 2014 (2013: $Nil).

Events arising since the end of the reporting period
Apart from the final dividend declared, there are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

* the Group's operations in future financial years;
* the results of those operations in future financial years; or
* the Group's state of affairs in future financial years.

Directors' Meetings
The number of Directors' Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Director	Board Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Stuart James	13	13	3	3	2	2
Craig Coleman	13	13	3	3	2	2
Andrew Gregory	10	10	2	2	1	1
Phillipa Blakey	3	3	1	1	1	1

During the year ended 30 June 2014 all issues related to Risk Management were addressed by the full Board. From 18 June 2014 all Risk Management is the responsibility of the Audit and Risk Committee.

Remuneration Report (audited)
The Directors of Pulse Health Limited ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

a. principles used to determine the nature and amount of remuneration;
b. details of remuneration;
c. bonuses included in remuneration;
d. service agreements;
e. share-based remuneration; and
f. other information.

a. Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The Board has established a Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The remuneration structure that has been adopted by the Group consists of the following components:

- fixed remuneration, being annual salary;
- short term incentives, being an annual cash bonus scheme; and
- long term incentives, being employee share schemes.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, these directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined by a general meeting. The most recent determination was at the Annual General Meeting held on 26 March 2008, where the shareholders approved an aggregate remuneration of $500,000.

Non-executive directors do not receive performance related compensation and are not provided with retirement benefits apart from statutory superannuation.

The payment of bonuses, share options and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

Short Term Incentive (STI)
Pulse Health performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the Company values.

The performance measures are set annually after consultation with the Directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest alignment between individual roles and company strategy, and cover financial and non-financial measures.

The Key Performance Indicators ('KPI's') for the Executives are summarised as follows:

Performance area:
- **financial -** operating profit (underlying EBITDA), return on capital; and
- **non-financial** – outcome based, individually determined strategic measures.

The STI Program provides cash bonuses for the Executives as contracted and based on performance in relation to pre-agreed KPIs.

Long-term Incentives
The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives based on long-term incentive measures. The Remuneration Committee established the current long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2014.

Voting and comments made at the Company's last Annual General Meeting
Pulse Health Limited received in excess of 75% 'yes' votes on its Remuneration Report for the financial year ending 30 June 2013. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Consequences of performance on shareholder wealth
In considering the Group's performance and benefits for shareholder wealth, the Board had regard to the following indices in respect of the current financial year and the previous four financial years:

Item	2014	2013	2012	2011	2010
Revenue growth (%)	9	22	5	8	11
EBITDA (underlying)	4,679	4,713	3,948	3,336	2,157
Share price	0.53	0.30	0.16	0.16	0.17

b. Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of Pulse Health during the financial year are shown in the table below:

		Short Term Employee Benefits			Post-Employment Benefits	Long-Term Benefits		Termination Benefits	Share Based Payments		Performance Based
Employee	Year	Cash Salary & Fees	Cash Bonus	Non-Monetary Benefits	Superannuation	Cash Bonus	Long Service Leave	Termination Payments	Options/Rights	Total	Percentage of Remuneration
Executive Directors											
Phillipa Blakey [1]	2014	384,500	100,000	2,577	20,862	-	6,389		42,364	556,692	26%
Managing Director	2013	-	-	-	-	-	-	-	-	-	
Non-Executive Directors											
Stuart James	2014	100,000	-	-	-	-	-	-	-	100,000	-
Chairman	2013	100,000	-	-	2,250	-	-	-	-	102,250	-
Craig Coleman [2]	2014	80,000	-	-	7,400	-	-	-	-	87,400	-
Non-Independent	2013	80,000	-	-	7,250	-	-	-	-	87,250	-
Andrew Gregory [3]	2014	40,000	-	-	38,276	-	-	-	-	78,276	-
Non-Independent	2013	80,000	-	-	7,250	-	-	-	-	87,250	-
Other Key Management Personnel											
Matthew Mackay [4]	2014	164,760	11,670	6,971	16,354	-	3,428	-	16,945	220,128	13%
COO	2013	25,994	-	-	2,339	-	-	-	-	28,333	-
Mark Hays [5]	2014	244,508	-	2,419	15,829	-	3,400	-	16,945	283,101	6%
CFO	2013	-	-	-	-	-	-	-	-	-	-
Total 2104		**1,013,768**	**111,670**	**11,967**	**98,721**	**-**	**13,217**	**-**	**76,254**	**1,325,597**	
Total 2013		**285,994**	**-**	**-**	**19,089**	**-**	**-**	**-**	**-**	**305,083**	

[1] Phillipa Blakey - Appointed CEO 5 Jun 2013 and Managing Director on 24 May 2014

[2] From 25 August 2014, Craig Coleman has been assessed as Non-independent

[3] Andrew Gregory - Resigned 23 May 2014

[4] Matthew Mackay - Appointed 20 Feb 2013

[5] Mark Hays - Appointed 5 Aug 2013

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	At risk - STI	At risk - LTI
Executive Directors			
Phillipa Blakey	74%	18%	8%
Other Key Management Personnel			
Matthew Mackay	87%	5%	8%
Mark Hays	92%	-	8%

Since the long-term incentives are provided exclusively by way of rights, the percentages disclosed also reflect the value of remuneration consisting of rights, based on the value of rights expensed during the year.

c. Bonuses included in remuneration

Details of the short-term incentive cash bonuses awarded as remuneration to each Key Management Personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.

Name	Included in remuneration ($)	Percentage vested in year	Percentage forfeited in year
Executive Directors			
Phillipa Blakey	100,000	100%	0%
Other Key Management Personnel			
Matthew Mackay	11,670	100%	0%

d. Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary	Term of agreement	Notice period
Phillipa Blakey	390,000	No fixed term	Six months
Matthew Mackay	164,760	No fixed term	Six months
Mark Hays	250,000	No fixed term	Three months

Base salaries are as at 30 June 2104, exclude superannuation and are reviewed annually by the Remuneration Committee.

e. Share-based remuneration

All Performance rights refer to rights over ordinary shares of the Company, which are vested on a one-for-one basis under the terms of the agreements.

Performance rights granted to Executives will vest if the weighted average share price (VWAP) of Pulse Health Limited is achieved, at the agreed vesting dates, subject to the executives' continued employment until the end of each vesting period.

Rights granted under the plan carry no dividends or voting rights and when vested each right is convertible into one ordinary share.

Details of rights over ordinary shares in the Company that were granted as remuneration to Key Management Personnel on 1 December 2013 are set out below:

Employee	Number Granted	Value of right at grant date ($)	Number vested	Number lapsed	Exercise price	Vesting VWAP ($)	Vesting date	Last vesting date
Phillipa Blakey								
- Tranche 1	175,000	0.32	-	-	-nil-	0.48	31-Dec-14	31-Dec-16
- Tranche 2	175,000	0.20	-	-	-nil-	0.60	31-Dec-15	31-Dec-16
- Tranche 3	175,000	0.08	-	-	-nil-	0.72	31-Dec-16	31-Dec-16
Total	525,000	105,000						
Matthew Mackay								
- Tranche 1	70,000	0.32	-	-	-nil-	0.48	31-Dec-14	31-Dec-16
- Tranche 2	70,000	0.20	-	-	-nil-	0.60	31-Dec-15	31-Dec-16
- Tranche 3	70,000	0.08	-	-	-nil-	0.72	31-Dec-16	31-Dec-16
Total	210,000	42,000						
Mark Hays								
- Tranche 1	70,000	0.32	-	-	-nil-	0.48	31-Dec-14	31-Dec-16
- Tranche 2	70,000	0.20	-	-	-nil-	0.60	31-Dec-15	31-Dec-16
- Tranche 3	70,000	0.08	-	-	-nil-	0.72	31-Dec-16	31-Dec-16
Total	210,000	42,000						

VWAP refers to the daily volume weighted average price of Pulse Health Limited shares trading on the ASX for a period of 30 consecutive trading days within the 12 month period to the vesting date.

The rights were provided at no cost to the recipients and all rights expire on termination of the individual's employment.

If the tranche 1 performance condition is not satisfied on the tranche 1 expiry date, then the tranche 1 performance rights will automatically become tranche 2 performance rights with the same expiry date and performance condition as the tranche 2 performance rights.

If the tranche 2 performance condition is not satisfied on the tranche 2 expiry date, then the tranche 2 performance rights will automatically become tranche 3 performance rights with the same expiry date and performance condition as the tranche 3 performance rights.

f. Other information

Performance rights held by Key Management Personnel

The number of performance rights in the Company held during the 2014 reporting period by each of the Key Management Personnel of the Group, including their related parties, are set out below. No options are held by directors.

Employee	Balance at the start of the year	Number of rights at grant date	Number of rights forfeited	Balance at the end of the year
Phillipa Blakey	-	525,000	-	525,000
Matthew Mackay	-	210,000	-	210,000
Mark Hays	-	210,000	-	210,000

No performance rights vested during the year.

Shares held by key management personnel

The number of ordinary shares in the Company during the 2014 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Personnel	Balance at the start of the year	Granted as remuneration	Received on exercise	Other changes	Held at the end of the reporting period
Stuart James	2,740,625	-	-	-	2,740,625
Craig Coleman	1,501,250	-	-	-	1,501,250
Andrew Gregory	9,232,320	-	-	(3,732,320)	5,500,000
Mark Hays	-	-	-	10,000	10,000

None of the shares included in the table above are held nominally by key management personnel.

End of audited remuneration report.

Unissued shares under options or rights

Grant date	Expiry date	Exercise price	Number under right
31-Dec-13	31-Dec-16	- nil -	945,000

All rights expire on the earlier of their expiry date or termination of the employee's employment. These rights have been allotted to individuals on condition that they serve specified time periods as an employee of the Group before the rights will be vested. These rights do not entitle the holder to participate in any share issue of the Company.

No rights were vested during or since the end of the financial year.

Environmental legislation

Pulse Health operations are not subject to a particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Indemnities given and insurance premiums paid to auditors and officers
During the year, Pulse Health paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Non-audit services
During the year, BDO East Coast Partnership, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, BDO East Coast Partnership, and its related practices for audit and non-audit services provided during the year are set out in Note 8 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 19 of this financial report and forms part of this Directors' Report.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding of amounts

Pulse Health is a type of Company referred to in ASIC Class Order 98/100 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

Signed in accordance with a resolution of the Directors.

Stuart James
Director

29 August 2014

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DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF PULSE HEALTH LIMITED

As lead auditor of Pulse Health Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pulse Health Limited and the entities it controlled during the period.

Paul Bull
Partner

BDO East Coast Partnership

Sydney, 29 August 2014

Pulse Health Limited (**Company**) and its board are committed to achieving and demonstrating high standards of corporate governance. In this statement, the Company's corporate governance framework has been assessed against the second edition of the Australian Securities Exchange Corporate Governance Council's Principles and Recommendations (**Recommendations**). The Company and its controlled entities together are referred to as the Group in this statement. The board continues to review the Group's corporate governance framework and practices to ensure they meet the interests of shareholders, and will report against the third edition of the Recommendations next year.

A description of the Company's main corporate governance practices is set out below. The information provided in this statement is current as at 25 August 2014. This statement has been approved by the board. Company policies and charters are available in the Investors section of the Company's website at www.pulsehealth.net.au.

Board responsibilities

The board of directors is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs. Directors are accountable to shareholders for the Company's performance.

The board reviews and approves the Company's strategic and business plans and guiding policies. The functions and responsibilities of the board include:

- oversight of the Company including its conduct and accountability systems;
- reviewing and approving overall financial goals for the Company;
- approving strategies and plans for the Group's businesses to achieve these goals;
- approving financial plans and annual budgets;
- monitoring implementation of strategy, business performance and results and ensuring appropriate resources are available;
- approving key management recommendations (major capital expenditure, acquisitions, divestments, restructuring and funding);
- appointing, rewarding and determining the duration of the appointment of the Chief Executive Officer (**CEO**) and ratifying the appointments of senior executives including the Chief Financial Officer (**CFO**) and the Company Secretary;
- the performance of the CEO and senior management;
- reviewing and verifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- reviewing sustainability performance and overseeing occupational health and safety and environmental management and performance;
- approving and monitoring financial reporting and reporting to shareholders on the Company's direction and performance; and
- meeting legal requirements and ensuring that the Company acts responsibly and ethically, and prudently manages business risks and the Group's assets.

Role of the board and management

There is a clear division of responsibilities between the Chairman and the CEO.

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the Company's senior executives.

The CEO is responsible for implementing Group strategies and policies. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the CEO and senior executives as set out in the Group's delegations policy. These delegations are reviewed on an annual basis. The board ensures that the CEO is appropriately qualified and experienced to discharge her responsibilities.

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their employment. All new directors participate in a formal induction program which covers the operation of the board and its committees and financial, strategic, operations and risk management issues.

Directors undertake an induction program, including:

- information pack containing company documentation including the Code of Conduct, policies and committee charters;
- introduction meetings with other board members; and
- meetings with the executive management and company secretary.

Generally, directors undertake their own continuing education.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Performance of senior executives

Senior executives are reviewed through a formal process of evaluation by the remuneration committee. During the year, the remuneration committee conducted a formal evaluation of the CEO's' performance against a number of key deliverable outcomes. The executives were assessed against strategic, operational, financial, human resource related and risk management measures.

Board composition

The current board comprises Mr Stuart James (independent non-executive Chairman, appointed 7 November 2007), Ms Phillipa Blakey (CEO, appointed as an executive director on 23 May 2014) and Mr Craig Coleman (non-independent non-executive director, appointed 1 January 2010). Mr Coleman is a Director of Wyllie Group Pty Ltd, which is a substantial shareholder of the Company. Mr Coleman has previously been considered independent as he has no financial interest in Wyllie Group Pty Ltd and holds his position as a Director of the Company personally. Notwithstanding this relationship, during the latest review on 25 August 2014 of the board's independence, it was determined that Mr Coleman is now non-independent. Mr Andrew Gregory served as a non-executive director from 16 March 2006 until his resignation on 23 May 2014. As he was a substantial shareholder, he was deemed not to be an independent director.

The board currently does not meet the requirements of Recommendation 2.1 in that it does not consist of a majority of independent directors. The full board currently consists of three directors, one of whom is an executive director, one non-independent non executive director and one independent non executive director. The board is satisfied that is current board structure is appropriate for the current status of the Company's size and structure. The board continues to monitor its composition, and overtime endeavours to appoint additional independent non-executive directors to meet best practice recommendations.

Directors' independence

The board annually assesses the independence of each director, and has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non executive and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group;
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

The company secretarial role is held by Mr David Franks. The Company Secretary is accountable to the board through the Chairman on corporate governance matters pertaining to the company secretarial role. All directors have access to the Company Secretary.

The non executive directors met during the 2014 financial year, in scheduled sessions without the presence of management, to discuss the operation of the board and a range of other matters.

Board selection, appointment and re-election

Due to the size of the board and the Company, no nomination committee has been established as per the requirements in Recommendation 2.4. The functions of a nomination committee are carried out by the full board.

The Company's constitution specifies that all non executive directors must retire from office no later than the third annual general meeting (**AGM**) following their last election. Where eligible, a director may stand for re-election. The board's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the board and the Company.

The board considers the following factors when selecting new directors and when recommending directors to shareholders for appointment or re-election:

- the size and complexity of the company and the cost of appointing additional directors;
- the aim of having a majority of independent directors on the board;
- in recognition of the importance of independent views and the board's role in supervising the activities of management, the Chairman must be an independent non executive director;
- the Company is to maintain a mix of directors on the board from diverse backgrounds with complementary skills, expertise and experience;
- that each individual has sufficient time to meet his/her commitments as a director of the Company;
- the duration of each existing director's tenure, noting the retirement provisions of the constitution, as set out above, and the board's wish to have an appropriate balance of directors with experience and knowledge of the Group, and directors with an external or fresh perspective; and
- whether the size of the board is conducive to effective discussions and efficient decision-making.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the board. No appointments of this nature were accepted during the year ended 30 June 2014, however it is noted that the Board agreed prior to the employment of Ms Phillipa Blakey as CEO her continuing role as director of Bairo Pite Clinic Australia Limited. The commitments of non executive directors are considered by the Board prior to the directors' appointment to the board of the Company and are reviewed each year as part of the annual performance assessment. Prior to appointment or being submitted for re-election, each non executive director is required to ensure that they have and will continue to have the time available to discharge their responsibilities to the Company.

Details of the directors' skills, experience, expertise, special responsibilities and attendance at board and committee meetings are set out in the Directors' Report. Since the year end, the board has developed a board skills matrix, to simplify the process for identifying any 'gaps' in the board's skills, expertise and experience.

The board selection process involves determining the type of skills, experience and expertise sought to enhance the current board and preparing a short-list of appropriate candidates. To date, the Company has sought appropriate candidates through referrals and professional intermediaries to identify and assess candidates. The full board appoints the most suitable candidate, who must stand for election at the next AGM of the Company.

As part of the risk management process of the Company, succession planning is considered and addressed where possible. The board also considers management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Board, committee and director performance reviews

The board undertakes an annual self-assessment of its collective performance and considers the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the Group. The board also reviews the performance of the Chairman and of board committees. Management are invited to contribute to this appraisal process which may be facilitated by an independent third party. To date, this has been actioned internally. The results and any action plans are documented, together with specific performance goals which are agreed for the coming year.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment.

During the year, performance evaluations for the board, its committees and directors took place in accordance with the above disclosed process.

Code of Conduct

The Group has developed a statement of values and a Code of Conduct (Code) which has been endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the high standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies.

New employees are introduced to the Code as part of their induction training. The Code includes requirements to:

- act in good faith in pursuing the objectives of the Company;
- avoid situations which may give rise to a conflict of interest;

- maintain confidentiality in relation to the affairs of the Company, its customers and its suppliers;
- comply with the laws and regulations relating to the Company, particularly the prohibition on insider trading;
- treat each other, suppliers, competitors, clients, customers and other stakeholders fairly and with respect;
- protect and ensure efficient use of the Company's assets for legitimate business purposes; and
- report unlawful or unethical behaviour, with those who report violations in good faith to be protected from harassment or discriminatory treatment. Reports can be made anonymously.

The Code is available on the Company's website.

Diversity Policy

No Company employee or potential employee will be denied equal treatment compared with another employee or potential employee because of gender, age, national origin, race, marital status, sexual preference, pregnancy, potential pregnancy, political conviction, religious beliefs or disability (including HIV or AIDS). In addition, the Company does not require employees to retire because of their age.

The Company is committed to the merit principle, whereby employees are recruited, trained, promoted and remunerated based on the individual's skills, qualifications, experience, abilities and aptitudes. The Company acknowledges the need of its employees to balance career and family obligations and engages flexible work options in accordance with relevant industrial agreements, to enable employees to balance work and family.

A copy of the Diversity Policy is available on the Company's website.

The Company has set measurable objectives relating to achieving gender diversity, and provides the following progress report:

1. To provide high potential women senior and executive managers with developmental experiences to prepare them for promotion or critical leadership roles.

   Progress: Women have been appointed to senior management roles in Finance, Human Resources, Quality and general management roles, including appointments in the last 12 months. This goal has been achieved during the year.

2. To establish sponsorship/ membership with an external body promoting women's networking and leadership initiatives.

   Progress: The CEO has networked widely with women's and other leadership groups which sponsor development of senior women. This goal has been achieved during the year.

3. The Company to implement an internal mentoring programme, allowing business managers to have access to executive management and women in executive management to have access to directors.

   Progress: With the appointment of Phillipa Blakey as an executive director, all executive and senior management, including women, have direct access and mentoring at a board level through the Managing Director. Likewise, with over 50% female representation at an executive management level, a substantial portion of the mentors of middle management are women. This goal has been achieved during the year.

4. The board to develop a succession plan, aiming to increase female representation on the board, subject to identification of candidates with appropriate skills.

   Progress: CEO Phillipa Blakey was appointed as a director on 23 May 2014.
   This goal has been achieved during the year.

The proportion of women employees at different levels in the Group is set out below:

Level	2014	2013
Women on the board	33%	0%
Women in senior management roles*	58%	71%
Women employees in the Group*	87%	87%

* reported on a full-time equivalent employee basis.

Senior management roles are defined as direct reports to the CEO, CFO or COO.

Audit arrangements

During the year, the board had an audit and finance committee to assist in the execution of its duties by overseeing the material aspects of the Company's financial reporting, control and audit functions. On 6 August 2014, the remit of the committee was extended to include oversight of the risk management framework, and the committee was renamed the Audit and Risk Committee.

Audit and risk committee

From 1 July 2013 to 27 August 2013, the committee comprised Mr Andrew Gregory (Chairman and non-independent, non-executive director) and Mr Craig Coleman (non-independent (from 25 August 2014) non-executive director). Mr Stuart James (independent non-executive director) was appointed to the committee on 28 August 2013. Mr Andrew Gregory resigned from the board and the committee on 23 May 2014. On 18 June 2014, Mr Craig Coleman was appointed Chairman of the committee and Ms Phillipa Blakey (executive director) was appointed a member of the committee.

The committee currently does not meet the requirements of Recommendation 4.2 in that it does not consist of a majority of independent directors, is not chaired by an independent chair and does not consist of only non-executive directors. However the Chair is not chair of the board and it has at least three members. The full board currently consists of three directors, one of whom is an executive director, one non-independent non executive director and one independent non executive director. The board is satisfied that is current committee structure is appropriate for the current status of the Company's size and structure. The board continues to monitor its composition, and overtime endeavours to appoint additional independent non-executive directors to meet best practice recommendations.

All members of the audit and risk committee are financially literate and have an appropriate understanding of the industry in which the Group operates.

The audit and risk committee operates in accordance with a charter, which is available on the Company's website. The main responsibilities of the committee are to:

- review the annual report, the half year financial report and other financial information released to the market by the Company;
- assess whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
- assess the suitability of the Company's financial accounting policies, practices and procedures;

- review and assess the effectiveness of the Company's system of internal controls;
- oversee the effective operation of the risk management framework;
- recommend policies and procedures to the board on the selection and appointment of the external auditors and the rotation of external audit engagement partners;
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the board on matters relevant to the committee's role and responsibilities.

External auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The Company requires the periodic rotation of the audit partner in accordance with the Corporations Act 2001.

An analysis of fees paid to the external auditors, including a break down of fees for non audit services, is provided in the Directors' Report and Notes to the 2014 Financial Report. The external auditors provide an annual declaration of their independence to the audit and risk committee.

Market disclosure

The Company has a Disclosure and Communication Policy and a Disclosure and Materiality Guideline. The Disclosure and Communication Policy promotes timely and balanced disclosure of material matters concerning the Company, to comply with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules. The Disclosure and Communication Policy is available on the Company's website.

Company officers and senior managers are responsible for monitoring all information regarding the Company's day to day activities and if a potential disclosure obligation arises, to report it to the CEO and CFO who will make an assessment regarding disclosure. The CEO and CFO will determine whether disclosure to the ASX is required, discussing and taking advice from the Company Secretary if necessary.

Shareholder communications

The Disclosure and Communication Policy outlines the procedures in place to promote effective communication with shareholders. The Company seeks to ensure that shareholders are well informed of the Company's activities. The Company communicates with shareholders through annual and half yearly reports, ASX releases, general meetings and the Company's website.

The board encourages shareholder participation at general meetings. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

The external auditor is required to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items of business to be considered at general meetings.

Business risks

During the year, the full board was directly responsible for oversight of the Group's risk management framework. On 6 August 2014, the board delegated authority to the audit and risk committee to review and assess the risk management framework.

The audit and risk committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company's policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

The committee assists the board by identifying material business risks and implementing procedures to manage those risks. Since the year end, the committee has formalised its processes for documenting the Group's risk profile in a risk management matrix, which will be reviewed by the board on a regular basis. The risk management matrix identifies areas of risk for the Group and records any remedial action taken in the management of those risks.

Internal control framework

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the board actively promotes a culture of quality and integrity.

Detailed control processes cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

In addition, the board requires that each major proposal submitted to the board for decision is accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

The CEO and CFO have reported and declared in writing to the board that the Group's management of its material business risks is effective, as required by Recommendation 7.2.

The board has also received an annual written assurance from the CEO and CFO that the declaration provided under section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks, as required by Recommendation 7.3.

Remuneration committee

From 1 July 2013 to 23 May 2014, the committee comprised Mr Craig Coleman (non-independent (from 25 August 2014) non-executive director), Mr Andrew Gregory (non-independent, non-executive director) and Mr Stuart James (independent non-executive director). Mr Andrew Gregory resigned from the board and the committee on 23 May 2014. On 18 June 2014, Ms Phillipa Blakey (executive director) was appointed a member of the committee.

The committee currently does not meet the requirements of Recommendation 8.2 in that it does not consist of a majority of independent directors and is not chaired by an independent chair. However it does have at least three members. The full board currently consists of three directors, one of whom is an executive director, one non-independent non executive director and one independent non executive director. The board is satisfied that is current committee structure is appropriate for the current status of the Company's size and structure. The board continues to monitor its composition, and overtime endeavours to appoint additional independent non-executive directors to meet best practice recommendations.

The remuneration committee provides the board with advice on remuneration, recruitment, retention, termination and incentive policies and practices generally. It makes specific recommendations on remuneration packages for executive directors, other senior executives and non executive directors, and considers superannuation arrangements for employees. The CEO is not permitted to have direct involvement in the determination of her remuneration. The committee charter is available on the Company's website.

The structure of non-executive directors' remuneration is clearly distinguished from the structure of executive director and senior management remuneration, in that non-executive directors' remuneration is not linked to the performance of the Group. The non-executive directors receive not retirement benefits, other than statutory superannuation contributions. Any increase in the maximum total remuneration of the non-executive directors of the Company, which is set at $500,000 per annum, would be subject to the approval of shareholders.

Further information on directors' and executives' remuneration is set out in the directors' report under the heading Remuneration Report in the Directors' Report.

Any employees participating in equity based remuneration schemes are prohibited from entering into transactions in products which would limit the economic risk of holding unvested entitlements under those schemes.

	ASX CGC's Best Practice Recommendations	Comply
Principle 1 - Lay Solid Foundations for Management and Oversight		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	Yes
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes
Principle 2 - Structure the Board to Add Value		
2.1	A majority of the board should be independent directors.	Yes (Note 1)
2.2	The chair should be an independent director.	Yes
2.3	The role of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The board should establish a nomination committee.	No (Note 2)
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes
Principle 3 - Promote Ethical and Responsible Decision-Making		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	
	• the practices necessary to maintain confidence in the Company's integrity	Yes
	• the practices necessary to take into account their legal obligation and the reasonable expectations of their stakeholders	Yes
	• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Yes

ASX CGC's Best Practice Recommendations (continued)		Comply
Principle 4 - Safeguard Integrity In Financial Reporting		
4.1	The board should establish an audit committee	Yes
4.2	Structure the audit committee so that it:	
	• consists only of non-executive directors	No (Note 3)
	• consists of a majority of independent directors	No (Note 4)
	• is chaired by an independent chair, who is not chair of the board	No
	• has at least three members.	No (Note 5)
4.3	The audit committee should have a formal charter.	Yes
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5 - Make Timely and Balanced Disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	Yes
Principle 6 - Respect the Rights of Shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	Yes
Principle 7 - Recognise and Manage Risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.	Yes
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	Yes

	ASX CGC's Best Practice Recommendations (continued)	Comply
Principle 8 - Remunerate Fairly and Responsibility		
8.1	The board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that it:	
	• consists of a majority of independent directors	Yes (Note 6)
	• is chaired by an independent chair	Yes (Note 6)
	• has at least three members.	Yes
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	Yes

Notes
(1) The company complied until 24 August 2014. From 25 August 2014, Mr Coleman is considered non-independent.
(2) The company does not comply; the function is carried out at the full Board level
(3) From 1 July 2013 until 17 June 2014, complied. From 18 June 2014, do not comply
(4) From 28 August 2013 until 23 May 2014, complied. Remainder of year did not comply
(5) From 28 August 2013 until 23 May 2014, complied. From 18 June 2014, complied. Remainder of year did not comply
(6) From 1 July 2013 until 24 August 2014, complied. From 25 August 2014, do not comply

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
Revenue from continuing operations	6	**52,350**	**47,894**
Other income	6	-	4,153
		52,350	52,047
Expenses			
Employee benefits expenses	7	(31,116)	(28,820)
Occupancy expenses	7	(5,015)	(4,114)
Medical consumables and supplies		(4,974)	(4,714)
Medical contractors		(2,103)	(1,658)
Professional fees		(202)	(811)
Other expenses	7	(4,773)	(3,678)
Impairment charges	7	-	(997)
Finance costs	7	(1,629)	(2,450)
Corporate, acquisition and integration costs		(825)	(297)
Depreciation and amortisation expense	7	(760)	(754)
Profit from continuing operations before income tax		953	3,754
Income tax expense	9(a)	(78)	(840)
Profit from continuing operations after income tax		875	2,914
Loss from discontinued operation	27	-	(180)
Profit for the year attributable to owners of the company		875	2,734
Total comprehensive income attributable to owners of the company		875	2,734
Total Comprehensive income for the year attributable to ordinary equity holders of the company:			
From continuing operations		875	2,914
From discontinued operations		-	(180)
		875	2,734
Earnings per share			
Basic earnings per share (cents per share)			
From continuing operations	23	0.73	2.47
From discontinued operations	23	-	(0.15)
Diluted earnings/(loss) per share (cents per share)			
From continuing operations	23	0.72	2.47
From discontinued operations	23	-	(0.15)

The above Consolidated Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	7,007	2,020
Trade and other receivables	11	7,067	7,237
Inventories	12	854	812
Total Current Assets		14,928	10,069
NON CURRENT ASSETS			
Property, plant and equipment	13	13,441	10,320
Deferred tax assets	9(e)	2,753	2,247
Intangible assets	14	31,635	29,359
Total Non Current Assets		47,829	41,926
TOTAL ASSETS		62,757	51,995
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	4,589	5,000
Provisions	16	3,124	2,388
Borrowings	17	90	1,263
Current tax liability		278	30
Other liabilities	18	408	556
Total Current Liabilities		8,489	9,237
NON CURRENT LIABILITIES			
Borrowings	17	243	18,389
Deferred tax liabilities	9(f)	4	3
Provisions	16	465	411
Other liabilities	18	1,482	1,670
Total Non Current Liabilities		2,194	20,473
TOTAL LIABILITIES		10,683	29,710
NET ASSETS		**52,074**	**22,285**
EQUITY			
Contributed equity	19(a)	56,351	27,513
Share based payment reserve	19(c)	76	-
Accumulated losses		(4,353)	(5,228)
TOTAL EQUITY		**52,074**	**22,285**

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Contributed Equity $'000	Share based reserve $'000	Accumulated losses $'000	Total Equity $'000
Balance as at 1 July 2013	27,513	-	(5,228)	22,285
Profit after income tax for the year	-	-	875	875
Other comprehensive income net of tax	-	-	-	-
Total Comprehensive Income	**-**	**-**	**875**	**875**
Share-based payment expense	-	76	-	76
Buy-back of shares under LTI Scheme	-	-	-	-
Contributions of equity	30,000	-	-	30,000
Capital raising costs	(1,448)	-	-	(1,448)
Options lapsed	-	-	-	-
Deferred tax asset on capital raising costs	286	-	-	286
Balance at 30 June 2014	**56,351**	**76**	**(4,353)**	**52,074**
Balance as at 1 July 2012	27,575	241	(8,206)	19,610
Profit after income tax for the year	-	-	2,734	2,734
Other comprehensive income net of tax	-	-	-	-
Total Comprehensive Income	**-**	**-**	**2,734**	**2,734**
Share-based payment expense	-	145	-	145
Buy-back of shares under LTI Scheme	-	(142)	-	(142)
Contributions of equity	-	-	-	-
Capital raising costs	-	-	-	-
Options lapsed	-	(244)	244	-
Deferred tax asset on capital raising costs	(62)	-	-	(62)
Balance at 30 June 2013	**27,513**	**-**	**(5,228)**	**22,285**

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 June 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (incl GST)		52,702	46,633
Payment to suppliers and employees (incl GST)		(48,039)	(43,993)
		4,663	2,640
Income tax paid		(30)	-
Interest paid		(1,487)	(842)
Transaction costs relating to acquisition of subsidiary		(825)	(277)
Government grants		-	1
Net cash inflow from operating activities	25(b)	2,321	1,522
Cashflow from investing activities			
Payments for purchase of businesses	28	(2,964)	(5,766)
Payments for plant and equipment		(3,524)	(1,246)
Interest received		98	47
Net cash (outflow) inflow from investing activities		(6,390)	(6,965)
Cash flows from financing activities			
Buy-back of shares under LTI Scheme		-	(142)
Proceeds from the issue of shares		30,000	-
Share issue costs		(1,448)	-
Repayment of finance lease		-	(9,855)
Westmead finance lease interest payments		-	(1,295)
Proceeds from borrowings		400	10,506
Repayment of borrowings		(19,896)	(770)
Payment of borrowing costs		-	(271)
Net cash (outflow) inflow from financing activities		9,056	(1,827)
Net increase/(decrease) in cash and cash equivalents		4,987	(7,270)
Cash and cash equivalents beginning of the financial year		2,020	9,290
Cash and cash equivalents at end of year	10(a)	7,007	2,020

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. Nature of operations

Pulse Health Limited and subsidiaries' (the Group) principal activities include the acquisition and operation of private hospitals and related health care focused organisations.

These activities are grouped into the following service lines:

- Private Hospitals - strategic acquisitions and operation of privately run hospitals and day surgeries around Australia; and
- Community Care – providing health services to patients including nursing care, case management, respite care and allied health provisions

2. General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other interpretations of the Australian Accounting Standards Board. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Pulse Health Limited is a for-profit entity for the purpose of preparing the financial statements.

Pulse Health Limited is the Group's ultimate parent company. Pulse Health Limited is a public company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Suite 4, Level 1, 175 Castlereagh Street Sydney NSW 2000, Australia.

The consolidated financial statements for the year ended 30 June 2014 were approved and authorised for issue by the Board of Directors on 29 August 2014.

3. Changes in accounting policies

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information on these new standards to the extent they are relevant is presented below.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

3. Changes in accounting policies (continued)

Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures

AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

3. Changes in accounting policies (continued)

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the Group.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the Group.

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the Group.

4. Summary of accounting policies

4.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2014. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

4.3 Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

4.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars ('AUD'), which is also the functional currency of the Parent Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.5 Segment reporting

The Group has two operating segments: private hospitals and community care segments. In identifying its operating segments, management generally follows the Group's service lines, which represent the main services provided by the Group (see Note 1).

These operating segments are managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Group's corporate head office.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

4.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

(i) Patient/Client Revenues

Revenue from services provided is recognised on the date the service was provided to the patient or client.

(ii) Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

4.7 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.9 Profit or loss from discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also Note 4.19), is further analysed in Note 27.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

4.10 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 4.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 4.14 for a description of impairment testing procedures.

4.11 Other intangible assets

Right to operate Hospitals

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The intangible asset 'right to operate', which was originally acquired through the Westmead Operating Assets lease agreement had been assessed as having a finite life and amortised over the period of the lease. Consequent to the extinguishment of the Westmead Operating Assets lease in May 2013, the intangible asset has been assessed as having indefinite life and tested for impairment at the end of each reporting period or earlier if an impairment indicator exists. The recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

4.12 Property, plant and equipment

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Medical and other equipment

Medical equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Medical equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, medical and other equipment. The following useful lives are applied:

- buildings: 25-50 years
- medical equipment: 2-5 years
- other equipment: 3-12 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

4.13 Leased assets

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

See Note 4.12 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.14 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.15 Financial instruments

Recognition, Initial Measurement and De-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

The Group's financial assets consist of loans and receivables.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities included borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss (FVTPL), that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

4.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.17 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office ('ATO') and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Pulse Health Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

4.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.19 Non-current assets and liabilities classified as held for sale and discontinued operations

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within twelve (12) months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of financial position. Liabilities are classified as 'held for sale' and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some 'held for sale' assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's accounting policy for those assets. Once classified as 'held for sale', the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations (see Note 4.9).

4.20 Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

4.21 Short-term employee benefits

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

4.22 Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

4.23 Provisions, contingent liabilities and contingent assets

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

4.24 Goods and Services Tax (GST)

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

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

4.25 Rounding of amounts

The Parent Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000, or in certain cases, the nearest dollar.

4.26 Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.14).

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 4.3).

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

5. Financial risk instruments and fair value measurement

The Group's activities expose it to a variety of financial risk: interest rate risk (market risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk.

The Group's financial instruments consist mainly of deposits and loans with banks, accounts receivable and payable, loans to and from subsidiaries and leases.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value.

Historically, interest rate risk is managed with a mixture of fixed and floating rate debt and hedging. It is the policy of the Group to assess each circumstance when taking on debt.

As at the reporting date, the Group had no borrowings outstanding:

	30 June 2014		30 June 2013	
	Weighted Average Interest Rate	Balance $000's	Weighted Average Interest Rate	Balance $000's
Bank loans - variable	-	-	8.14%	15,581
Bank loans – fixed	-	-	8.07%	4,245

Credit risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. Credit risk is managed on a Group basis.

The average credit period on sale of rendering services is approximately 30 days, but is variable depending on the category of services provided. No interest is charged on overdue debtors. An allowance is made for any estimated irrecoverable trade receivable arising from past sale of rendering of services. At 30 June 2014, there were no amounts estimated irrecoverable in the Group.

The credit risk on financial assets and liabilities which have been recognised on the Statement of Financial Position is the carrying amount, net of any provision for doubtful debts. The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

5. Financial risk instruments and fair value measurement (continued)

Interest rate sensitivities

The Group's interest rate sensitivity exposure related to its variable rate bank borrowings that were repaid in June 2014, and hence no sensitivity calculations have been performed. In 2013, had the interest rate been +/- 100 basis points, with all other things being equal, post-tax profit would have been approximately $78,358 lower/higher taking note of the timeframe for which the borrowings were outstanding.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecasted cashflows and matching the maturity profiles of financial assets and liabilities. It also ensures that adequate unutilised borrowing facilities are maintained.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 30 June 2014	Less than 6 months $'000	6 – 12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total Contractual cashflows $'000	Carrying Amount of liabilities $'000
Non-derivatives							
Non-interest bearing	4,589	-	-	-	-	4,589	4,589
Variable interest	-	-	-	-	-	-	-
Fixed interest	-	-	-	-	-	-	-
Finance leases	45	45	90	153	-	333	333
	4,634	45	90	153	-	4,922	4,922

Group – At 30 June 2013	Less than 6 months $'000	6 – 12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total Contractual cashflows $'000	Carrying Amount of liabilities $'000
Non-derivatives							
Non-interest bearing	5,050	-	-	-	-	5,050	5,050
Variable interest	310	310	640	16,617	-	17,877	15,581
Fixed interest	375	375	778	3,031	-	4,559	4,245
Finance leases	2	-	-	-	-	2	2
	5,737	685	1,418	19,648	-	27,488	24,878

Fair Value Estimation and measurement hierarchy

The financial assets and liabilities included in the current assets and liabilities in the Statement of Financial Position are carried at amounts that approximate net fair values. As at reporting date there were no financial assets and liabilities recognised in the Statement of Financial Position using fair value measurements.

6. Revenue

	2014 $'000	2013 $'000
From continuing operations		
Operating income	52,255	47,852
Interest income	95	42
Total revenue	52,350	47,894
Other income		
Gain on the extinguishment of the Westmead finance lease	-	4,153

7. Profit from continuing operations before income tax expense

	2014 $'000	2013 $'000
The profit and loss from continuing operations before income tax has been determined after charging the following		
Depreciation and amortisation expense		
Depreciation of buildings, plant and equipment	760	597
Amortisation of intangible assets	-	157
	760	754
Occupancy expenses		
Rent paid/payable	3,972	3,261
Property outgoings	925	853
Relocation costs	118	-
	5,015	4,114
Employee benefits expenses		
Salaries and wages and on-costs	28,252	26,280
Superannuation paid/payable for the year	2,298	1,988
Termination Payments	130	407
Provision for underpaid superannuation from 1 July 2008	360	-
Share-based payments expense	76	145
	31,116	28,820
Interest expense and other finance costs	1,629	970
Interest expense relating to lease of hospital operations	-	1,480
Impairment of goodwill - North Coast Community Care	-	997
Westmead lease restructure costs	-	249

Corporate, acquisition and integration costs includes stamp duty and professional fees incurred in the purchase of North Mackay Private Hospital (Note 28).

8. Auditors' remuneration

	2014 $'000	2013 $'000
Auditor of the parent entity - BDO East Coast Partnership		
Audit and review of the Financial Report	169	143
Preparation of tax returns	16	12
Tax consolidation advisory services	4	-
	189	155

9. Income tax expense

	2014 $'000	2013 $'000
(a) Reconciliation of income tax expense to prima facie		
Profit from continuing operations before tax	953	3,754
(Loss) from discontinuing operations before tax	-	(176)
	953	3,578
Income tax credit calculated at 30% (2013: 30%)	286	1,073
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of intangible assets	-	338
Share based payment expense	23	45
Other non-deductible expenses	223	177
Net effect of the Westmead Finance Lease transaction	-	(442)
Recognition of prior years tax losses	(454)	(347)
Aggregate income tax expense	78	844

	2014 $'000	2013 $'000
(b) Unrecognised deferred tax assets		
Tax losses		
Unused tax losses for which no deferred tax asset has been	987	3,408
Potential tax benefit @ 30%	296	1,022

The deferred tax assets on account of tax losses not brought to account includes amounts subject to an available fraction in accordance with tax consolidation legislation, the benefits of which will only be realised if the conditions for deductibility set out in Note 4.17 occur. As such, the recoupment of these losses is restricted.

9. Income tax expense (continued)

	2014 $'000	2013 $'000
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net loss but directly credited to		
Net deferred tax – credited/(debited) directly to equity	286	62

	2014 $'000	2013 $'000
(d) Income Tax Components		
(Increase) / Decrease in deferred tax assets	(202)	600
(Increase) / Decrease in deferred tax liability	1	1
Current tax expense	279	243
Income tax expense	78	844
Income tax expense/(credit) is attributable to:		
Continuing operations	78	840
Discontinuing operation	-	4
Aggregate income tax expense	78	844

	2014 $'000	2013 $'000
(e) Deferred tax assets		
The balances comprise temporary differences attributable to:		
Tax losses	419	291
Employee benefits	966	825
Deferred income	564	621
Accruals	223	202
Others	168	181
Items charged directly to equity	413	127
Total	2,753	2,247

	2014 $'000	2013 $'000
(f) Deferred tax liabilities		
The balances comprise temporary differences attributable to:		
Prepayments	4	3
Total	4	3

9. Income tax expense (continued)

	2014 $'000	2013 $'000
(g) Movements in deferred tax asset		
Opening Balance	2,247	3,021
Amounts recognised in profit or loss:		
Employee benefits	123	65
Deferred income	(57)	(37)
Finance leases	-	(636)
Accrued expenses	21	49
Tax losses	128	(212)
Other	(13)	(41)
Amounts recognised in equity:		
Capital raising costs	286	(62)
Additions through business combinations	18	100
Closing Balance	2,753	2,247

	2014 $'000	2013 $'000
(h) Movements in deferred tax liability		
Opening Balance	3	2
Amounts recognised in profit or loss:		
Prepayments	1	1
Closing Balance	4	3

10. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank and on hand	6,923	1,852
Restricted cash (1)	84	168
Total cash and cash equivalents	7,007	2,020

(1) Restricted cash relates to cash received from government funding

(a) Reconciliation to cash at bank and on hand

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	7,007	2,020
Balance as per statement of cash flows	7,007	2,020

(b) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 2.

11. Trade and other receivables

	2014 $'000	2013 $'000
Current		
Trade debtors	4,166	4,737
Sundry debtors	119	152
Prepayments	331	553
Accrued income	2,451	1,795
Total current trade and other receivables	7,067	7,237

(a) Impaired trade receivables

As at 30 June 2014, there were no current trade receivables of the Group that were impaired.

11. Trade and other receivables (continued)

(b) Past due but not impaired

As at 30 June 2014, trade receivables of $1,157,000 (2013: $535,000) were past due but not impaired. These related to a number of independent customers for whom there is no history of default. The ageing analysis of the trade receivables is as follows:

	2014 $'000	2013 $'000
Current		
30 to 60 days	973	486
60 to 90 days	127	39
Greater than 90 days	57	10
	1,157	535

(c) Other receivables

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be recovered when due. The Group does not hold any collateral in relation to these receivables.

(d) Fair value and credit risk

Due to the short-term nature of the receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at reporting date is the carrying amount of each class of receivable mentioned above. Also refer to note 5 for more information on the credit quality of the Group's trade receivables.

12. Inventories

	2014 $'000	2013 $'000
Current		
On hand, available for use	854	812
Total current inventories	854	812

13. Property, plant and equipment

	Land and Buildings $'000	Leasehold Improvement $'000	Leased Assets $'000	Plant and Equipment $'000	Total $'000
Year ended 30 June 2014					
Opening net book amount	5,686	274	6	4,354	10,320
Additions by way of business combinations (Note 29)				881	881
Additions	134	2,343	-	832.30	3,309
Depreciation charge	(65)	(134)	(6)	(865)	(1,070)
Closing net book amount	5,756	2,483	-	5,202	13,441
At 30 June 2014					
Cost	6,156	2,664	73	10,389	19,282
Accumulated depreciation	(400)	(181)	(73)	(5,187)	(5,841)
Net book amount	5,756	2,483	-	5,202	13,441
Year ended 30 June 2013					
Opening net book amount	5,393	68	16	3,805	9,282
Additions by way of business combinations				724	724
Additions	359	209	-	658	1,226
Depreciation charge	(66)	(3)	(10)	(833)	(912)
Closing net book amount	5,686	274	6	4,354	10,320
At 30 June 2013					
Cost	6,021	321	73	8,676	15,091
Accumulated depreciation	(335)	(47)	(67)	(4,322)	(4,771)
Net book amount	5,686	274	6	4,354	10,320

Non-current assets pledged as security

Refer to Note 17 for information on non-current assets pledged as security by the consolidated entity.

14. Intangible assets

	Goodwill $'000	Right to Operate Hospital $'000	Software $'000	Total $'000
At 30 June 2014				
Cost	25,054	13,249	226	38,529
Accumulated amortisation	-	(1,977)	.	(1,977)
Accumulated Impairments	(4,917)	-	-	(4,917)
Net book amount	20,137	11,272	226	31,635
Reconciliation of opening and closing net book amount - year ended 30 June 2014				
Opening net book amount	18,038	11,321	-	29,359
Additions [2]			226	226
Acquired though business combinations (note 28)	2,099	-	-	2,099
Amortisation charge	-	(11)	-	(11)
Reclassification to Property, plant & equipment		(38)	-	(38)
Impairment charge	-	-	-	-
Closing net book amount	20,137	11,272	226	31,635
At 30 June 2013				
Cost	22,955	13,287	-	36,242
Accumulated amortisation	-	(1,966)	-	(1,966)
Accumulated Impairments	(4,917)	-	-	(4,917)
Net book amount	18,038	11,321	-	29,359
Reconciliation of opening and closing net book amount - year ended 30 June 2013				
Opening net book amount	13,646	11,692	-	25,338
Acquired through business combinations	5,518	-	-	5,518
Amortisation charge [1]	-	(371)	-	(371)
Impairment charge	(1,126)	-	-	(1,126)
Closing net book amount	18,038	11,321	-	29,359

[1] Amortisation up to date of extinguishment of the Westmead Operating Assets lease agreement

14.1 Impairment testing

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	2014 $'000	2013 $'000
Private Hospital Division	30,346	28,296
The Community Care Division	1,063	1,063
Goodwill allocation at 30 June	31,409	29,359

The recoverable amount of the consolidated Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the private hospital division:

(a) 12.8% (2013: 14.45%) pre-tax discount rate;
(b) 3% (2013: 3%) per annum projected revenue growth rate;

The discount rate of 12.8% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the hospital division, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 3% revenue growth rate is prudent and justified, based on the market conditions.

There were no other key assumptions for the private hospital division.

Based on the above, the recoverable amount of the hospital division exceeded the carrying amount by $32.4m.

The following key assumptions were used in the discounted cash flow model for the community care division:

(a) 12.8 (2013: 14.45%) pre-tax discount rate;
(b) 2.5% (2013: 3%) per annum projected revenue growth rate.

The discount rate of 12.8% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the community care division, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 2.5% growth in accordance with the review strategy undertaken and has no reason to revise this estimation based on current performance.

There were no other key assumptions for the community care division.

14.1 Impairment testing (continued)

Based on the above, the recoverable amount of the community care division exceeded the carrying amount by $0.2m.

Apart from the considerations described above in determining the value-in-use of the cash generating units, management is not currently aware of any other probable changes that would necessitate a material change in the recoverable amount of the Private Hospital Division. However, the estimate of recoverable amount for the Community Care division is particularly sensitive to the discount rate.
If the discount rate used is increased by 2%, an impairment loss of $0.1m would have to be recognised and be written off against goodwill.

15. Trade and other payables

	2014 $'000	2013 $'000
Current		
Trade creditors and accruals	4,000	4,217
Other creditors	589	833
Total current trade and other payables	4,589	5,050

16. Provisions

	2014 $'000	2013 $'000
Current		
Employee benefits [(a)]	2,754	2,338
Provision for superannuation guarantee charge [(b)]	360	0
Other	10	50
	3,124	2,388

(a) Amounts not expected to be settled within the next 12 months
The current employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued annual leave and long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2014 $'000	2013 $'000
Employee benefits obligations expected to be settled after 12 months	119	888

16. Provisions (continued)

(b) Provision for superannuation guarantee change

Represents underpaid superannuation contributions for employee shift allowances over the period 1 July 2009 to 25 May 2014. This shortfall was identified during the integration of the payroll functions into the centralised shared service platform.

	2014 $'000	2013 $'000
Non current		
Employee benefits	465	411
Total non current provisions	465	411

17. Borrowings

	2014 $'000	2013 $'000
Current		
Secured		
Finance leases	90	2
Bank loan (a)	-	1,261
Total secured current borrowings	90	1,263

	2014 $'000	2013 $'000
Non current		
Secured		
Finance Lease	243	-
Bank loan (a)	-	18,389
Total non current borrowings	243	18,389

17. Borrowings (continued)

(a) Bank loan

On 24 June 2014 the bank loan facilities were fully repaid. The facility, including the working capital facilities below are secured by a series of first ranking fixed and floating mortgages and charges over the assets and undertaking of the Group as well as a series of cross collateralised securities including cross guarantee and indemnity supporting the mortgages and charges.

Unused working capital facilities available at reporting date are:

	2014 $'000	2013 $'000
Bank overdraft	800	800
Bank purchasing card	60	60
	860	860

18. Other liabilities

	2014 $'000	2013 $'000
Current		
Government grants	9	157
Deferred income (a)	399	399
Total other current liabilities	408	556

	2014 $'000	2013 $'000
Non current		
Deferred income (a)	1,482	1,670
Total non current other liabilities	1,482	1,670

(a) Represents assets acquired with Government Grant monies. The deferred income is amortised against the useful life of the acquired assets through reduced depreciation charges.

19. Issued capital and share based reserve

	2014	2013
	$'000	$'000
(a) Issued and paid-up capital		
163,869,479 (2013: 455,477,403) fully paid ordinary shares	56,351	27,513

(b) Movement in ordinary share capital	**No. of Shares**	**$'000**
Balance - 30 June 2012	475,871,403	27,575
Cancellation of Shares issued under the LTI Scheme	(8,157,600)	-
Buy-back of Shares under the LTI Scheme	(12,236,400)	-
Recognition of movements in deferred tax assets in equity	-	(62)
Balance - 30 June 2013	**455,477,403**	**27,513**
Share Consolidation (4:1)	(341,607,924)	-
Issue of shares	50,000,000	30,000
Share issue transaction costs, net of tax	-	(1,162)
Balance - 30 June 2014	**163,869,479**	**56,351**

	2014	2013
(c) Share based payments reserve	**$'000**	**$'000**
Balance at beginning of year	-	241
Add / (deduct):		
Issue of options under the LTI Scheme	76	145
Options lapsed	-	(244)
Buy-back of Shares under the LTI Scheme	-	(142)
Balance at end of year	76	-

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(e) Share based payments reserve

The share-based payments reserve is used to recognise:

* The grant date fair value of options issued to executives but not exercised
* The grant date fair value of shares issued to executives
* The grant date fair value of options issued to suppliers but not exercised

19. Issued capital and share based reserve (continued)

(f) Capital management

The Group’s debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group's and the parent company’s objectives when managing capital are to safeguard their ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Prior to the debt facility being fully repaid on 24 June 2014, there were externally imposed capital requirements. Under the terms and conditions of the Bank loan facilities, the Group was required to comply with a minimum interest cover, maximum capital expenditure and a maximum leverage ratio. In order to maintain or adjust the capital structure to meet these externally imposed capital requirements, management had the ability to adjust debt levels, issue new shares or sell assets.

For the period the debt facility was in place, the Company complied with all covenants with the exception of the minimum interest cover requirement for the March 2014 quarter. The bank waived the covenant requirement on the basis of the one off nature of expenditure incurred in that period.

20. Segment reporting

Management currently identifies the Group's two service lines as its operating segments (see Note 4.5). These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

Segment information for the reporting period is as follows:

Year ended 30 June 2014	**Private Hospitals**	**Community Care**	**Health Recruitment (discontinued)**	**Unallocated Corporate Overhead**	**Total**
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Revenues					
From external customers	48,222	2,816	-	-	**51,038**
From other segments	59	-		(59)	-
Other revenue	1,185	4	-	123	1,312
Segment revenues	49,466	2,820	-	64	**52,350**
Underlying EBITDA	7,425	(76)	-	(2,670)	**4,679**
Depreciation and amortisation	(692)	(14)	-	(52)	(760)
Segment result (EBIT)	6,733	(92)	-	(2,722)	**3,919**
Finance costs (net)	-	-	-	-	(1,533)
Net profit before tax (underlying)					**2,386**
Corporate, acquisitions and integration costs					(825)
Relocation costs					(118)
Provision for superannuation guarantee charge					(360)
Termination costs					(130)
Net profit before tax					**953**
Tax Expense					(78)
Net profit after tax					**875**

Year ended 30 June 2013	**Private Hospitals**	**Community Care**	**Health Recruitment (discontinued)**	**Unallocated Corporate Overhead**	**Total**
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Revenues					
From external customers	43,873	2,985	140	-	**46,998**
From other segments		-		-	-
Other revenue	1,078	21	-	(63)	**1,036**
Segment revenues	44,951	3,006	140	(63)	**48,034**
Underlying EBITDA	6,670	47	(43)	(1,965)	**4,709**
Depreciation and amortisation	(726)	(15)	(5)	(13)	(759)
Segment result (EBIT)	5,944	32	(48)	(1,978)	**3,950**
Finance costs (net)					(2,450)
Net profit before tax (underlying)					**1,500**
Corporate, acquisitions and integration costs					(543)
Termination costs					(407)
Westmead Finance Lease gain					4,153
Impairment charges					(1,125)
Net profit before tax					**3,578**
Tax Expense					(844)
Net profit after tax					**2,734**

20. Segment reporting (continued)

Management assesses the performance of the operating segments based on a measure of underlying EBITDA. This measurement basis excludes significant expenditure from the operating segments such as acquisition, transaction and integration costs, effects of equity-settled share based payments, corporate office costs, finance costs, depreciation and amortisation and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

Transactions between segments are carried out at arm's length and are eliminated on consolidation. Segment revenues reported to the board of directors are measured in a manner consistent with that in the income statement.

Segment revenues are derived from provision of medical and healthcare services at private hospitals and community care.

Reportable segments' assets are reconciled to total assets as follows:

	$'000	$'000
Segment assets		
Private Hospitals	51,101	46,109
Community Care	1,393	1,563
Corporate & Unallocated:		
Cash	7,007	1,845
Trade and other receivables	62	172
Deferred tax asset	2,753	2,247
Property, plant and equipment	217	47
Other non current assets	224	12
Total assets as per the balance sheet	**62,757**	**51,995**

No segment liabilities are disclosed because there is no measure of segment liabilities regularly reported to the chief operating decision maker.

The Group is domiciled in Australia. The amount of its revenue from continuing operations from external customers in Australia is $52,255,000 (2013: $47,894,000), and the total revenue from external customers in other countries is $0 (2013: $0).

The Group does not have significant reliance on a single external customer.

21. Controlled entities

Name of Entity	Country of Incorporation	Ownership Interest 2014 %	2013 %
Parent Entity			
Pulse Health Limited	Australia		
Controlled Entities			
Pulse Health Hospitals Pty Ltd	Australia	100	100
Pulse Health Services Pty Ltd	Australia	100	100
Pulse Health Nursing Pty Ltd	Australia	100	100
Care Call Pty Ltd	Australia	100	100
Bega Valley Private Hospital Pty Ltd	Australia	100	100
Forster Private Hospital Pty Ltd	Australia	100	100
Gympie Private Hospital Pty Ltd	Australia	100	100
KPH Hospital Pty Ltd	Australia	100	100
North Coast Community Care Pty Ltd	Australia	100	100
Recruitment Specialist Group Pty Ltd	Australia	100	100
Westmead Rehabilitation Hospital Pty Ltd	Australia	100	100
Griffith Private Hospital Pty Ltd	Australia	100	100
Pulse Health Aged Care Pty Ltd	Australia	100	100
NMP Hospital Pty Ltd	Australia	100	100
WRC 2 Pty Ltd *	Australia	100	100

* WRC 2 Pty Ltd is in members' voluntary administration as part of our corporate restructure, post Westmead acquisition.

22. Commitments

	2014	2013
Leasing commitments - operating	**$'000**	**$'000**
Committed at the reporting date but not recognised as liabilities		
- with one year	3,873	2,838
- one to five years	17,003	13,146
- more than five years	58,179	50,262
	79,055	66,246

The Group leases various hospitals and offices under non-cancellable operating leases expiring from within one to twenty-three years with, in most cases, options to extend. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2014	2013
	$'000	**$'000**
Leasing Commitments - finance		
Committed at the reporting date and recognised as liabilities payable:		
- with one year	90	2
- one to five years	243	-
- more than five years	-	-
	333	2
Future finance charges	-	-
Net commitment recognised as liabilities	333	2
Representing		
- Current lease liability (note 18)	90	2
- Non current lease liability (note 18)	243	-
	333	2

23. Earnings per share (EPS)

	2014 Cents per share	2013 Cents per share
Basic earnings per share		
From continuing operations	0.73	2.47
From discontinued operations	-	(0.15)
Diluted earnings/(loss) per share		
From continuing operations	0.72	2.47
From discontinued operations	-	(0.15)

The earrings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2014 $'000	2013 $'000
Net profit after tax and used in calculation of basic	875	2,734

	2014 No.	2013 No.
Weighted average number of ordinary shares used in calculation of basic EPS	120,307,835	118,017,993
Potential ordinary shares underlying the performance rights	546,288	-
Weighted average number of ordinary shares used in calculation of diluted EPS	120,854,123	118,017,993

24. Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 21.

(b) Other related parties

On commercial terms and conditions unless otherwise stated, during the year the company paid Franks & Associates Pty Ltd, a company associated with Mr David Franks, to perform Company Secretarial and Finance functions at an hourly rate of $200 (excluding GST). The total amount of $114,762 (excluding GST) was incurred during the year.

25. Notes to the Consolidated Statement of Cash Flows

	2014 $'000	2013 $'000
(a) Reconciliation of cash and cash equivalents		
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents (Note 7)	7,007	2,020
(b) Reconciliation of net cash flows from operating activities after income tax		
Profit after income tax	875	2,734
Depreciation and amortisation	760	754
Impairment charges	-	1,126
Share based payments	76	145
Interest income	(95)	(42)
Interest on finance lease	-	1,480
Gain on extinguishment of Westmead finance lease	-	(4,153)
Other non operating items in loss after income tax	-	134
Net cash used in operating activities before changes in assets and liabilities	1,616	2,178
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
(Increase) decrease in trade and other receivables	175	(1,804)
(Increase) in inventories	(25)	(58)
(Increase) decrease in deferred tax assets	506	843
(Increase) decrease in other operating assets	2	8
Increase (decrease) in trade and other payables	(427)	42
Increase (decrease) in current tax liability	(248)	1
Increase (decrease) in deferred tax liabilities	1	1
Increase in provisions	729	305
Increase (decrease) in other operating liabilities	(8)	6
Net cash and cash equivalents used in operating activities	2,321	1,522

26. Parent entity disclosures

Information relating to Pulse Health Limited	2014 $'000	2013 $'000
Current assets	11,591	12,679
Total assets	**42,281**	**42,255**
Current Liabilities	1,751	10,255
Total Liabilities	**1,769**	**28,893**
Issued capital	56,352	27,514
Share based payment reserve	76	-
Accumulated losses	(15,691)	(14,152)
Total shareholders' equity	**40,737**	**13,362**
Loss of the parent entity	(2,932)	(2,114)
Total Comprehensive loss of the parent entity	(2,932)	(2,114)

27. Discontinued operations

As part of its operational review, on 30 November 2012 the Company discontinued the operations of its recruitment business RSG. Financial information relating to the discontinued operation for the period to 30 November 2012 is set out below and also disclosed in Note 20:

	2014 $'000	2013 $'000
Revenue	-	140
Expenses	-	(316)
Loss before income tax	-	(176)
Income tax credit	-	(4)
Loss after income tax of discontinued operation	-	(180)

28. Business combination

On 17 June 2014 the Group's wholly owned subsidiary NMP Hospital Pty Ltd acquired the North Mackay Private Hospital, a newly established Mackay based specialist rehabilitation hospital. The acquisition complements the Group's portfolio of specialist rehabilitation hospitals across New South Wales and Queensland.

Details of the acquisition are as follows:

	Fair value $'000
Prepayments	8
Inventory	20
Plant and equipment	881
Deferred tax asset	18
Employee benefits	(62)
Net assets acquired	866
Goodwill	2,099
Acquisition-date fair value of the total consideration transferred	2,964
Representing:	
Cash paid or payable to vendor	2,964
Acquisition costs expensed to profit and loss	574

	2014 $'000	2013 $'000
Cash used to acquire business:		
Acquisition-date fair value of total consideration transferred	2,964	5,966
Less: Payments made in prior period	-	(200)
Total cash and cash equivalents	2,964	5,766

North Mackay Private Hospital's contribution to the group results:
The hospital incurred a loss of $436,000 for the 14 days from 17 June 2014 to the reporting date, primarily due to acquisition and integration costs. The hospital was only operating from 10 February 2014 and hence management are unable to ascertain the impact on consolidated revenues and profit and loss has the acquisition occurred on 1 July 2013.

29. Key management personnel disclosures

Key management of the Group are the executive members of Pulse Health Limited Board of Directors and members of the Executive Council. Key Management Personnel remuneration includes the following expenses:

	2014	2013
	$	$
Short-term employee benefits	1,137,405	932,878
Post-employment benefits	98,721	56,835
Long-term benefits	13,217	21,370
Termination benefits	-	321,664
Share-based payments	76,254	111,750
	1,325,597	1,444,497

30. Share based payments

2014

On 1 December 2013 the consolidated entity issued 945,000 performance rights to Executives under a performance right plan established by the consolidated entity and subsequently approved by shareholders at a general meeting. The consolidated entity may, at the discretion of the Remuneration Committee, grant options or rights over ordinary shares in the company to certain key management personnel of the consolidated entity.

The rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee.

The performance rights carry neither rights to dividends nor voting rights and will vest if certain conditions, as defined in the program, are met. Vesting is based in the weighted average price of Pulse Health Limited shares, and ongoing employment at the agreed vesting periods.

The following summarises the performance rights that were granted during the year:

Performance rights series	Number of performance rights	Class of shares	Grant date	Performance period end date	Grant date fair value
Tranche 1	315,000	Ordinary	18/12/2013	31/12/2014	$0.32
Tranche 2	315,000	Ordinary	18/12/2013	31/12/2015	$0.20
Tranche 3	315,000	Ordinary	18/12/2013	31/12/2016	$0.08

30. Share based payments (continued)

For the performance rights issued during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair vale at grant date
18/12/2013	31/12/2014	$0.40	-nil-	65%	-nil-	-	$0.32
18/12/2013	31/12/2015	$0.40	-nil-	65%	-nil-	2.67%	$0.20
18/12/2013	31/12/2016	$0.40	-nil-	65%	-nil-	2.85%	$0.08

2013

No performance rights or options were granted as remuneration during the year ended 30 June 2013. Set out below are summaries of the options granted under the 2011 LTI scheme that was finalised in 2103:

Grant date	Expiry date	Exercise price	Opening 30 June 2012	Exercised	Cancelled	Closing 30 June 2013
15/04/2011	14/04/2013	$0.04 to $0.08	20,394,000	12,236,400 (1)	8,157,600 (2)	-

(1) The consolidated entity bought back 12,236,400 fully paid ordinary shares (being Tranche 1), for a total consideration of $631,398.24. After deducting the non-recourse loan attaching to these shares totalling $489,456.00, the net payment to participants was $141,942.24.

(2) Shares under tranche 2 and tranche 3 were "not in the money" and were cancelled.

The share-based payment expense recognised during the year as a result of the above performance rights and options: $76,000 (2013: 145,000).

31. Events subsequent to balance date

No matters or circumstances have arisen since 30 June 2014 that have significantly affected or may significantly affect:

(a) The Group's operations in future financial years; or

(b) The results of those operations in future financial years; or

(c) The Group's state of affairs in future financial years.

32. Contingent liabilities

The Group had no contingent liabilities as at the reporting date.

DIRECTORS' DECLARATION
30 JUNE2014

1. In the opinion of the Directors of Pulse Health Limited :

   a. The consolidated financial statements and notes of Pulse Health Limited are in accordance with the Corporations Act 2001, including

      i. Giving a true and fair view of its financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

      ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   b. There are reasonable grounds to believe that Pulse Health Limited will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.

3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Director

Stuart James

Date: 29 August 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Pulse Health Limited

Report on the Financial Report

We have audited the accompanying financial report of Pulse Health Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pulse Health Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Pulse Health Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Pulse Health Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Paul Bull
Partner

Sydney, 29 August 2014

The shareholder information set out below was applicable as at 31 July 2014.

Distribution of Equitable Securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Rights
1 - 1,000	172	-
1,001 - 5,000	270	-
5,001 - 10,000	93	-
10,001 - 100,000	305	-
100,001 and over	87	3
	927	3
Holding less than a marketable parcel	155	-

Substantial holders

Substantial holders as advised by the shareholders in their disclosure notices are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Wyllie Funds Management Pty Ltd	48,715,146	29.73
Throvena Pty Ltd	10,956,939	6.69 *
Investco Australia Ltd	8,333,334	5.09

* calculated based on Units per last disclosure notice and shares on issue at 31 July 2014

Voting rights

The voting rights of ordinary shares set out in the Company's constitution are:

> "Subject to any rights or restrictions for the time being attached to any class or class of shares –
>
> a) at meeting of members or classes of members each member who is entitled to vote may vote in person or by proxy or attorney; and
> b) On a show of hands every person who is a member has one vote and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held. "

Holders of options or rights do not have any voting rights. The terms of the rights are disclosed in the Directors Report, Section e Share Based Remuneration.

Restricted Securities
At 30 June 2014 and 31 July 2014 the Company does not hold any restricted securities. It is noted that the Rights have a vesting condition requiring an employee of the Company or its subsidiaries to remain an employee until 31 December 2016.

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest quoted security holders are listed below:

	Shared held	% of total shares issued	Rank
Wyllie Funds Management Pty Ltd	48,715,146	29.73	1
National Nominees Limited	10,593,250	6.46	2
Hsbc Custody Nominees (Australia) Ltd	10,480,158	6.40	3
Bnp Paribas Noms Pty Ltd <Drp>	6,258,000	3.82	4
Ubs Nominees Pty Ltd	6,000,000	3.66	5
Finance Associates Pty Ltd <Super Fund A/C>	5,500,000	3.36	6
Benger Superannuation Pty Limited <Benger Super Fund A/C>	5,465,241	3.34	7
Throvena Pty Ltd	5,327,179	3.25	8
Throvena Pty Ltd	4,433,114	2.71	9
Australian Foundation Investment Company Limited	3,933,333	2.40	10
Citicorp Nominees Pty Limited	3,108,096	1.90	11
J P Morgan Nominees Australia Limited	2,916,626	1.78	12
Mr Stuart Bruce James + Mrs Gillian Doreen James <S B James Super Fund A/C>	2,740,625	1.67	13
Sandhurst Trustees Ltd <Tbf Small Cap Val Grwth A/C>	2,660,000	1.62	14
Mirrabooka Investments Limited	2,566,667	1.57	15
Dr Philip Gordon Wilson Ewart	1,766,891	1.08	16
Hsbc Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	1,670,500	1.02	17
P Ewart Investments Pty Ltd	1,559,500	0.95	18
Smace Pty Ltd <Almonte Super Fund A/C>	1,350,000	0.82	19
Dr Philip Gordon Wilson Ewart + Mrs Kylie Ewart <Ewart Super Fund A/C>	1,277,560	0.78	20
Total for Top 20	**128,321,886**	**78.32**	

COMPANY SECRETARY	Mr David Franks
REGISTERED OFFICE	Suite 4, Level 1 175 Castlereagh Street Sydney, NSW 2000
PRINCIPAL PLACE OF BUSINESS	Suite 4, Level 1 175 Castlereagh Street Sydney, NSW 2000
SHARE REGISTRY	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford VIC 3067
INTERNET WEBSITE	www.pulsehealth.net.au

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