

2015

PULSE HEALTH LIMITED

ANNUAL REPORT



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CHAIRMAN'S REPORT

Dear Shareholder,

I have pleasure in presenting to you Pulse Health Limited's annual report for the financial year ended 30 June 2015 (FY15). This is my eighth report to you and I am very proud of the strong results and achievements this year.

Reported net profit after tax is \$2.55m, up from \$0.88m last year, and after excluding one-off items is \$4.1m, up from \$1.9m last year. Guidance to the market for FY15 was for EBITDA growth from existing assets to be in excess of 20% above FY14. This has been achieved, with growth of 25.5%.

We have declared a final fully franked dividend of 0.3 cents per share. The total dividend for FY15 is 0.6 cents per share, an increase of 20% over FY14.

Our portfolio of hospitals has grown to eight. Two hospitals were added – a specialist mental health hospital and a specialist surgical hospital.

We have exited all non-core assets with the sale of our community care business, closure of a small unprofitable regional hospital, and the divestment of our only hospital freehold.

Execution of our strategy - to grow via acquisition or development of niche specialist hospitals or day surgeries – is progressing strongly. The Hills Clinic, a high quality mental health hospital in North West Sydney, was our beachhead mental health acquisition. This will be followed by greenfield developments of similar facilities, in partnership with the founding doctors from The Hills Clinic.

Development of the Gold Coast Surgical Hospital, which will open on 31 August 2015, will be followed by similar greenfield developments, characterized by being purpose designed and managed purely for surgery, and by deploying Australia's most advanced surgical technology. At the same time an acquisition pipeline, focused on specialist mental health hospitals and specialist surgical hospitals and day surgery centres, continues to be progressed.

The appointment of David Manning to the Board will escalate the company's growth in the specialist surgical hospital and day surgery centre space. David, as a co-founder of the company that became AmSurg Corp., one of the largest day surgery centre companies in the U.S., brings substantial global expertise in the development and operation of surgery centres. I welcome David to the Board.

The year's strong results would not have been possible without the strongly aligned and consistent commitment of the Board and management team, or without the hard work of all of our staff. My thanks and congratulations to all on a great year's work.



Stuart James

Chairman
28 August 2015

MANAGING DIRECTOR'S REPORT

Dear Shareholder,

I have pleasure in providing this annual report to the shareholders of Pulse Health Limited. The year ended June 2015 (FY15) was a year of strong growth and further strengthening of the company's foundations through the addition of two beachhead assets, disposal of non-core assets and the establishment of a new debt facility on attractive terms.

Revenue grew 20% to \$56.3m and underlying EBITDA-R grew 32% to \$11.4m.

Revenue growth was largely driven by the ramp-up to profitability of Mackay Rehabilitation Hospital, solid performances at Westmead and Eden Rehabilitation Hospitals - with the full year effect of the additional 17 beds, and a 34% increase in surgical activity, including the public ophthalmology contract at Gympie Private Hospital.

The full year effect of the implementation of the Shared Services platform together with efficiencies from improved skill mix and rostering supported the improved hospital EBITDA margin from 16.4% in FY14 to 16.7% in FY15.

Asset Portfolio: exit of non-core assets and addition of core assets

Our focus in FY15 was on execution of our growth strategy while further improving the efficiency of our hospitals, along with freeing up capital and shared services resources by exiting all non-core assets.

Our strategy of growth via acquisition or development of niche specialist private hospitals or day surgeries has a dual track focus on surgical hospitals or day surgeries and mental health hospitals.

Mental health

The public health system increasingly struggles to meet demand for inpatient mental health care, while mental health issues grow and there is a bed undersupply in most markets. We therefore see this sector as having strong growth prospects.

We entered the mental health market with our beachhead acquisition of The Hills Clinic. This purpose designed, 59 bed specialist mental health hospital in North West Sydney is regarded as one of the best of its kind. With high utilization since acquisition in May, and performance well ahead of business case, plans are already underway for brownfield expansion.

The Hills Clinic was established by visionary psychiatrists, with whom we are now partnering to develop further similar facilities. We continue to evaluate suitable acquisition opportunities.

Surgery

As the population ages, people stay healthier into advanced old age, technology enables a broader range of surgery for a wider group of people and the demand for surgical intervention grows. Much of this demand can be met on a day surgery basis, but there will always be procedures and patients that require an in-patient hospital stay, albeit for increasingly fewer days. We believe that surgeons' and patients' needs can best be met at a facility that focusses purely on surgery, where purpose designed facilities and processes are optimized by the latest technology and where staff and managers are surgically expert.

The other new addition to the Pulse portfolio fits this description. The new Gold Coast Surgical Hospital has a 24 bed surgical ward, a High Dependency Unit, a 16 chair Day Surgery Unit and six operating theatres. The inclusion of Australia's most advanced technology has ensured that a large number of the Gold Coast's leading surgeons have taken up operating time. When the hospital opens on 31 August 2015, almost every surgical specialty and procedure will be available there.

Our growth pipeline includes similar greenfield developments and acquisition opportunities.

Exit of non-core assets

Confirmation of our strategy of growth as an operator of niche specialist private hospitals located in places in which specialist doctors wish to live and work resulted in the exit of three assets, releasing shared services resources and capital. North Coast Community Care was sold, we closed the unprofitable South Burnett Private Hospital and we entered a sale and lease back of the Gympie Private Hospital freehold, releasing \$6.3m of capital.

Industry dynamics

Strong demand fundamentals for mental health and surgical intervention are balancing growth in exclusionary health insurance policies and downward pricing pressure from health funds

Health insurers are increasingly keen to bring quality measures and reporting into contract negotiations, which we, along with most providers support, depending on the approach taken by the insurer.

MANAGING DIRECTORS' REPORT (CONTINUED)

Attempts by certain insurers to exclude a wide range of adverse events from being eligible for payment are unreasonable and not evidence based, but pose little risk for us because our patient mix includes very few medical patients.

Outlook for FY16

We expect underlying EBITDA of more than \$10.2m, excluding ramp-up costs associated with the Gold Coast Surgical Hospital and costs associated with the Group's unsuccessful bid for Vision Eye Institute Limited. Key drivers will be The Hills Clinic, the ongoing ramp-up of Mackay Rehabilitation Hospital, further growth in activity at other sites and ongoing staffing and procurement efficiencies.

Thank you to a great team

I am very proud of what the Pulse Health team has achieved in FY15, particularly the care we gave our patients and the service we provided to our doctors. I am very proud to partner with the great doctors that work in our hospitals.

I thank everyone for their efforts this year.



Phillipa Blakey

Managing Director and Chief Executive Officer
28 August 2015

DIRECTORS' REPORT

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 2015.

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

Member of Audit and Risk Committee
Member of Remuneration Committee

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:
2,756,625 shares

Interest in options/rights:
None

Mr Craig Coleman
BCom

Non-Executive Director

Director since 2010

Chair of Audit and Risk Committee
Chair of Remuneration Committee

Craig is the executive chairman of Viburnum Funds Pty Ltd, a funds management 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

Bell Financial Group Limited (ASX:BFG)
Keybridge Capital Limited (ASX:KBC)
Rubik Financial Limited (ASX:RFL)

Previous Directorships (last 3 years)

Amcom Telecommunications Limited (ASX:AMM)
Lonestar Resources Limited (ASX:LNR)

Interest in shares:
1,501,250 shares

Interest in options/rights:
None

DIRECTORS' REPORT (CONTINUED)

Mr David L. Manning

MIE

Non-Executive Director

Appointed 20 July 2015

David is an experienced healthcare leader in the surgery centre sector.

David is the co-founder of Practice Development Associates in the US, which constructed over 75 new surgery centres. Practice Development Associates grew to become AmSurg Corp, now a US\$3.4b NASDAQ listed company operating more than 248 day surgery centres across the US.

Until his retirement in December 2014, Mr Manning held the role of Executive Vice President and Chief Development Officer at AmSurg Corp.

Other Current Directorships

None

Previous Directorships (last 3 years)

None

Interest in shares:

None

Interest in options/rights:

None

Ms Phillipa Blakey

MBA (Exec.), GAICD, MAICD

Managing Director

Director since 2014

Member of Audit and Risk Committee

Member of Remuneration Committee

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

As an experienced healthcare executive, she has held COO roles in NSW Health (10 hospitals across North Sydney and Central Coast) and the Amity Group (48 for-profit nursing homes, CVC owned and then sold to Bupa).

Most recently 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:

700,000 rights

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, JCurve Solutions Limited, Pulse Health Limited, White Energy Technology Limited and White Energy Company Limited. David is also a non-executive director of JCurve Solutions Limited.

D I R E C T O R S ' R E P O R T (C O N T I N U E D)

Operating and financial review

Principal activity

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

- operation of specialist private hospitals and surgery centres;
- acquisition and development of specialist private hospitals and surgery centres.

Group financial highlights

Pulse Health had revenue from continuing operations of \$56.3m, up 20% on the previous year, leading to an underlying EBITDA of \$6.6m after excluding one off items.

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

- Underlying EBITDA increase of 41% to \$6.6mm (2014 \$4.7m) with only 8 weeks contribution of The Hills Clinic
- Operating cash flow increased 49% to \$3.5m (2014 \$2.3m); and
- Final dividend of 0.3 cents per share fully franked

Segment Revenue	FY15 \$'000	FY14 \$'000	Change	Change %
Private Hospitals				
- Continuing operations	56,150	46,920	9,230	20%
Corporate / Unallocated	118	64	54	84%
Totals	56,268	46,984	9,284	20%

Segment EBITDA	FY15 \$'000	FY14 \$'000	Change	Change %
Private Hospitals				
- Continuing operations	9,094	7,496	1,598	21%
Corporate / Unallocated	(2,486)	(2,670)	184	-7%
Totals	6,608	4,826	1,782	37%

Community Care (Discontinued)

Following the strategic review undertaken in late 2014, the Community Care business was sold in March 2015.

D I R E C T O R S ' R E P O R T (C O N T I N U E D)

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 and Other Comprehensive Income appearing in the attached financial report to underlying operating EBITDA and NPAT.

	2015 \$'000	2014 \$'000
Net profit after tax as reported	2,547	875
Income tax expense	1,618	78
Depreciation and amortisation	1,000	760
Finance costs (net)	12	1,533
Rent paid	4,795	3,972
Acquisition activity expenses and associated costs	1,681	825
Profit on sale of hospital freehold (tax effect \$237k)	(1,297)	-
Termination Payments	-	130
Loss on discontinued business	1,047	-
Relocation costs	-	118
Provision for SGC	-	360
EBITDA-R *	11,403	8,651
Rent paid	(4,795)	(3,972)
EBITDA *	6,608	4,679
Depreciation and amortisation	(1,000)	(760)
EBIT *	5,608	3,919
Finance costs (net)	(12)	(1,533)
Profit before tax	5,596	2,386
Income tax expense	(1,504)	(531)
Net profit after tax before significant items *	4,092	1,855

For the financial year ended 30 June 2015 the following significant and non-recurring transactions occurred:

- during the year the Group incurred acquisition, development and integration costs of \$1.681m. Of this amount, \$1.3m related to the acquisition of The Hills Clinic Pty Ltd
- on 22 March 2015 the Group sold its community care business and on 30 June 2015 closed the small 22 bed regional hospital operated in Kingaroy, Queensland; and
- on 30 June 2015 the Group realised an accounting profit of \$1.3m on the sale of the freehold of the Gympie Private Hospital. The freehold has been sold under a sale and lease back to a Healthcare REIT with an initial lease term of 15 years with a further 10 year option.

* Non AIFRS financial information, reviewed, not audited

DIRECTORS' REPORT (CONTINUED)

Outlook

Pulse Health is pleased to advise that it expects that forecast underlying FY16F EBITDA guidance will be at least equal to the Pro Forma Underlying FY15F EBITDA of \$10.2 million announced by Pulse Health to ASX on 6 July 2015 ("FY16 Guidance").

FY16 Guidance excludes:

- ramp-up losses associated with the Gold Coast Surgical Hospital, which is scheduled to open on 31 August 2015 and be profitable by June 2016, and
- one off costs associated with the unsolicited bid for Vision Eye Institute Limited estimated to be approximately \$1.2m.

Consistent with FY15 the Company aims to make one or more EBITDA positive acquisitions of specialist hospitals in FY16, as opportunities prove to be suitable. The above FY16 guidance does not include earnings from additional acquisitions.

Significant changes in the state of affairs

During the year, the following changes occurred within the Group:

Acquisition of The Hills Clinic, Sydney

On 5 May 2015, the Group acquired 100% of the issued capital of The Hills Clinic Pty Ltd, a Sydney based 59 bed specialist mental health hospital. Purpose built in 2011, The Hills Clinic is our beachhead into the mental health speciality. The initial acquisition cost of \$27.7m was funded through a combination of cash and debt, with up to \$5.9m payable if agreed revenue targets are met.

Development of the Gold Coast Surgical Hospital

On 2 October 2014, the Group signed an agreement to lease a building and establish the Gold Coast Surgical Hospital at Varsity Lakes Queensland. This is a purpose built specialist surgical hospital comprising 6 theatres and a 24 bed in-patient ward. Capital cost to the Group is approximately \$10.0m comprising \$3.2m toward fit out works and approximately \$6.5m of specialist surgical equipment. The facility will open on 31 August 2015.

Establishment of new of Debt Facilities

To facilitate the purchase of The Hills Clinic and establishment of the Gold Coast Surgical Hospital, the Group signed a new commercial facility with the National Australia Bank to provide for core debt, working capital and asset funding. The total facility is \$41.6m of which \$24m was drawn down as at the end of the financial year. The core facility is in place until 31 July 2018.

Sale and Lease Back

On 30 June 2015 the Group sold its freehold interest in the Gympie Private Hospital for \$6.3m and entered a long term lease of the facility.

Divestment of non-performing assets

On 22 March 2015 the Group sold 100% of the issued capital of North Coast Community Care Pty Ltd and on 30 June 2015 the Group closed the 22 bed South Burnett Private Hospital in Kingaroy, Queensland.

DIRECTORS' REPORT (CONTINUED)

Dividends

In respect of the current year, a fully franked interim dividend of \$492,000 was paid in April 2015 (2014: \$Nil).

In addition to the interim dividend and since the end of the financial year, the Directors have declared a fully franked final dividend of \$493,000 (0.3 cents per share) to be paid on 2 October 2015.

Total dividends for FY15 are \$985,000 (2014: \$819,000).

Events arising since the end of the reporting period

Since the end of the year the following events have occurred:

- on 6 July 2015 Pulse announced a takeover bid for Vision Eye Institute Limited (Vision). Pulse believes its offer was a compelling strategic and value creating opportunity for both companies' shareholders, to create one of Australia's leading providers of specialist healthcare services. On 13 August 2015 Jangho Group Co. Ltd (Jangho) offered to acquire all of the ordinary voting shares in Vision it did not already own for \$1.10 cash per share. Pulse considered the value offered by Jangho as beyond the value range with which it was comfortable and allowed its offer to lapse
- on 6 July 2015 Pulse announced the appointment of Mr David Manning as a Non-Executive Director of Pulse. Mr Manning has over 35 years of healthcare leadership and management experience in the surgery centre sector; and
- on 19 August 2015 Pulse paid the first earn out payment for the acquisition of The Hills Clinic Pty Ltd of \$2.176m. Since the acquisition by Pulse the momentum has continued with the total patient revenue for FY15 exceeding the target in the share purchase agreement.

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect:

- 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.

Likely developments, business strategies and prospects

Demand for surgical interventions is widely expected to continue to grow strongly for the foreseeable future, as the population ages, and technology drives demand for more procedures and more repeat procedures. This ongoing growth in demand will require more surgical hospital capacity with continuously updated technology. The public health system is struggling to cope with the ongoing investment required.

Demand for mental health inpatient care is also widely expected to continue to grow, and the public health system is not adding additional inpatient capacity.

Our strategy, to grow via acquisition or development of niche specialist private hospitals, particularly mental health hospitals and surgical hospitals, is designed to capitalise on this growing demand. We will also continue to add capacity and to upgrade technology at our existing hospitals, as required.

We have a strong pipeline of acquisition opportunities, which we continue to execute on and to grow. We expect to add one or more immediately EBITDA positive acquisitions in the next 12 months. We also have a strong pipeline of greenfield development opportunities, both surgical and mental health. It may be up to three years before the first of these is fully commissioned.

DIRECTORS' REPORT (CONTINUED)

Material risks to achievement of this strategy, and our response to these risks are:

Risk	Response
Changes to legislation or taxation arrangements related to private health insurance that result in reduced coverage.	We believe this to be unlikely due to the impact it would have on the ability of the public health system to meet the health needs of the population.
Ramp-up and other revenue risks associated with greenfield developments.	<p>Our business case assessments include local demand and growth analysis and local specialist doctor interest and commitment to a new hospital.</p> <p>We partner with local specialists in the assessment, design and planning process to ensure that their needs and interests are aligned.</p> <p>We partner with specialist health property developers and owners, sharing ramp-up and other risks.</p>
Inability to access the necessary capital to fund acquisitions or greenfield developments.	Capital market participants continue to indicate significant willingness to support the growth of our business.

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		Independent Board Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Stuart James	10	10	2	2	3	3	1	1
Craig Coleman	10	10	2	2	3	3	0	0
Phillipa Blakey	10	10	2	2	3	3	1	1

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.

DIRECTORS' REPORT (CONTINUED)

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

The principles of the Group's executive remuneration 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 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 shareholder 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 and performance appraisals.

DIRECTORS' REPORT (CONTINUED)

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 KPI's.

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 2014. 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	2015	2014	2013	2012	2011
Revenue growth	17%	9%	22%	5%	8%
Underlying EBITDA (\$'000)	6,608	4,679	4,713	3,948	3,336
Share price (\$)	0.57	0.53	0.30	0.16	0.16

DIRECTORS' REPORT (CONTINUED)

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:

Employee	Year	Short Term Employee Benefits			Post-Employment Benefits	Long-Term Benefits		Termination Benefits	Share Based Payments	Total (\$)	Performance Based
		Cash Salary & Fees (\$)	Cash Bonus (\$)	Non-Monetary Benefits (\$)	Superannuation (\$)	Cash Bonus (\$)	Long Service Leave (\$)	Termination Payments (\$)	Options/Rights (\$)		Percentage of Remuneration
Executive Directors											
Phillipa Blakey ¹	2015	390,000	-	1,077	18,783	-	12,903		51,950	474,713	11%
Managing Director	2014	384,500	100,000	2,577	20,862	-	6,389		42,364	556,692	26%
Non-Executive Directors											
Stuart James	2015	100,000	-	-	-	-	-	-	-	100,000	-
Chairman	2014	100,000	-	-	-	-	-	-	-	100,000	-
Craig Coleman ²	2015	80,000	-	-	7,400	-	-	-	-	87,400	-
Non-Independent	2014	80,000	-	-	7,400	-	-	-	-	87,400	-
Other Key Management Personnel											
Matthew Mackay ³	2015	188,714	19,217	7,615	17,942	-	6,752	-	20,780	261,020	15%
COO	2014	164,760	11,670	6,971	16,354	-	3,428	-	16,945	220,128	13%
Mark Hays ⁴	2015	250,000	20,000	10,752	18,784	-	7,940	-	20,780	328,256	12%
CFO	2014	244,508	-	2,419	15,829	-	3,400	-	16,945	283,101	6%
Total 2015		1,008,714	39,217	19,444	62,909	-	27,595	-	93,510	1,251,389	
Total 2014		973,768	111,670	11,967	60,445	-	13,217	-	76,254	1,247,321	

¹ Phillipa Blakey - Appointed CEO 5 Jun 2013 and Managing Director on 23 May 2014

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

³ Matthew Mackay - Appointed 20 Feb 2013

⁴ Mark Hays - Appointed 5 Aug 2013

D I R E C T O R S ' R E P O R T (C O N T I N U E D)

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
<i>Executive Directors</i>			
Phillipa Blakey	89%	0%	11%
<i>Other Key Management Personnel</i>			
Matthew Mackay	85%	7%	8%
Mark Hays	88%	5%	7%

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
<i>Other Key Management Personnel</i>			
Matthew Mackay	19,217	31%	69%
Mark Hays	20,000	27%	73%

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	180,000	No fixed term	Three months
Mark Hays	250,000	No fixed term	Six Months

Base salaries are as at 30 June 2015, 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.

DIRECTORS' REPORT (CONTINUED)

Details of rights over ordinary shares in the Company that were granted as remuneration to Key Management Personnel on 5 December 2014 are set out below:

Employee	Number Granted	Value per right at grant date (\$)	Value of rights at grant date (\$)	Number		Exercise price	Vesting VWAP (\$)	Vesting date	Last vesting date
				vested	lapsed				
Phillipa Blakey									
- Tranche 4	175,000	0.14	24,500	-	-	-nil-	0.84	31-Dec-17	31-Dec-17
Matthew Mackay									
- Tranche 4	70,000	0.14	9,800	-	-	-nil-	0.84	31-Dec-17	31-Dec-17
Mark Hays									
- Tranche 4	70,000	0.14	9,800	-	-	-nil-	0.84	31-Dec-17	31-Dec-17

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 the earlier of their last vesting date or termination of the individual's employment.

f. Other information

Performance rights held by Key Management Personnel

The number of performance rights in the Company held during the 2015 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 except for Phillipa Blakey.

Employee	Balance at the start of the year	Number of rights at grant date	Number of rights forfeited	Number of rights vested	Balance at the end of the year
Phillipa Blakey	525,000	175,000	-	-	700,000
Matthew Mackay	210,000	70,000	-	-	280,000
Mark Hays	210,000	70,000	-	-	280,000

DIRECTORS' REPORT (CONTINUED)

Shares held by key management personnel

The number of ordinary shares in the Company during the 2015 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	-	-	15,964	2,756,589
Craig Coleman	1,501,250	-	-	-	1,501,250
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

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

DIRECTORS' REPORT (CONTINUED)

- 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.

Auditor's independence declaration

The Auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 20 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

28 August 2015



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Australia

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 2015, 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, 28 August 2015

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Pulse Health Limited (**Company**) and its Board are committed to achieving and demonstrating the highest standards of corporate governance. As such, the Company and its Controlled Entities ('the Group') have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2015 is dated as at 30 June 2015 and was approved by the Board on 15 July 2015 and reconfirmed 25 August 2015. The Corporate Governance Statement is available on Pulse Health Limited's website at <http://pulsehealth.net.au/investor-information#corporategovernanceprinciples>.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	2015 \$'000	2014 \$'000
Revenue	6	56,268	46,984
Other income	6	1,297	-
		57,565	46,984
Expenses			
Employee benefits expense	7	(30,698)	(26,875)
Occupancy expenses	7	(5,737)	(4,801)
Medical consumables and supplies		(5,517)	(4,504)
Medical contractors		(2,092)	(2,088)
Professional fees		(306)	(202)
Other expenses		(5,180)	(4,199)
Finance costs	7	(142)	(1,630)
Acquisition, development and integration costs		(1,681)	(825)
Depreciation and amortisation expense	7	(1,000)	(702)
Profit from continuing operations before income tax		5,212	1,158
Income tax expense	9(d)	(1,618)	(242)
Profit from continuing operations after income tax		3,594	916
Loss from discontinued operations	28	(1,047)	(41)
Profit for the year attributable to owners of the company		2,547	875
Total comprehensive income attributable to owners of the company		2,547	875
Total Comprehensive income for the year attributable to ordinary equity holders of the company:			
From continuing operations		3,594	916
From discontinued operations		(1,047)	(41)
		2,547	875
Earnings per share			
Basic earnings per share (cents per share)			
From continuing operations	21	2.19	0.76
From discontinued operations	21	(0.64)	(0.03)
Diluted earnings/(loss) per share (cents per share)			
From continuing operations	21	2.18	0.75
From discontinued operations	21	(0.63)	(0.03)

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 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	3,491	7,007
Trade and other receivables	11	17,878	7,067
Inventories	12	721	854
Total Current Assets		22,090	14,928
NON CURRENT ASSETS			
Property, plant and equipment	13	10,824	13,441
Deferred tax assets	9(e)	2,148	2,753
Intangible assets	14	61,037	31,635
Total Non Current Assets		74,009	47,829
TOTAL ASSETS		96,099	62,757
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	7,707	4,589
Provisions	16	2,945	3,124
Borrowings	17	90	90
Current tax liability		1,180	278
Other liabilities	18	2,447	408
Total Current Liabilities		14,369	8,489
NON CURRENT LIABILITIES			
Borrowings	17	24,021	243
Deferred tax liabilities	9(f)	50	4
Provisions	16	558	465
Other liabilities	18	3,653	1,482
Total Non Current Liabilities		28,282	2,194
TOTAL LIABILITIES		42,651	10,683
NET ASSETS		53,448	52,074
EQUITY			
Contributed equity	19(a)	56,402	56,351
Share based payment reserve	19(c)	170	76
Accumulated losses		(3,124)	(4,353)
TOTAL EQUITY		53,448	52,074

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 2015**

	Contributed Equity	Share based reserve	Accumulated losses	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2014	56,351	76	(4,353)	52,074
Profit after income tax for the year	-	-	2,547	2,547
Other comprehensive income net of tax	-	-	-	-
Total Comprehensive Income	-	-	2,547	2,547
Share-based payment expense	-	94	-	94
Contributions of equity	181	-	-	181
Capital raising costs	(11)	-	-	(11)
Dividends	-	-	(1,318)	(1,318)
Deferred tax asset on capital raising costs	(119)	-	-	(119)
Balance at 30 June 2015	56,402	170	(3,124)	53,448
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
Contributions of equity	30,000	-	-	30,000
Capital raising costs	(1,448)	-	-	(1,448)
Dividends	-	-	-	-
Deferred tax asset on capital raising costs	286	-	-	286
Balance at 30 June 2014	56,351	76	(4,353)	52,074

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 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers (incl GST)		59,116	52,702
Payment to suppliers and employees (incl GST)		(53,985)	(48,039)
		5,131	4,663
Income tax paid		(267)	(30)
Interest paid		(142)	(1,487)
Transaction costs relating to acquisition of subsidiary		(1,253)	(825)
Net cash inflow from operating activities	26(b)	3,469	2,321
Cashflow from investing activities			
Payments for purchase of businesses	29	(27,700)	(2,964)
Proceeds from sale of subsidiary		375	-
Payments for plant and equipment		(2,412)	(3,524)
Interest received		130	98
Net cash (outflow) inflow from investing activities		(29,607)	(6,390)
Cash flows from financing activities			
Proceeds from the issue of shares		181	30,000
Share issue costs		(11)	(1,448)
Dividends paid		(1,318)	-
Proceeds from borrowings		24,000	400
Repayment of borrowings		(90)	(19,896)
Payment of borrowing costs		(140)	-
Net cash (outflow) inflow from financing activities		22,622	9,056
Net increase/(decrease) in cash and cash equivalents		(3,516)	4,987
Cash and cash equivalents beginning of the financial year		7,007	2,020
Cash and cash equivalents at end of year	10(a)	3,491	7,007

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. Nature of operations

Pulse Health Limited and subsidiaries' (the Group) principal activities include the operation, acquisition and development of specialist private hospitals and day surgery centres.

The Group disposed of its community care business in March 2015.

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 2015 were approved and authorised for issue by the Board of Directors on 28 August 2015.

3. Changes in accounting policies

3.1 New and revised standards that are effective for these financial statements

A number of new and revised standards and an interpretation became effective for the first time to annual periods beginning on or after 1 July 2014. Information on these new standards is presented below.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets and is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)
- amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

3.2 Accounting Standards issued but not yet effective and not been adopted early by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

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 2015. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

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 had two operating segments: private hospitals and community care segments for the period 1 July 2014 to 22 March 2015 when the community care business was sold. 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 were 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 income and expenses are reported on an accrual basis using effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

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 28.

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.

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

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 Profit or Loss and Other 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.

NOTES TO THE CONSOLIDATED FINANCIAL
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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.

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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. 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.

Inventories include medical and food supplies to be consumed in providing future patient services.

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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.

NOTES TO THE CONSOLIDATED FINANCIAL
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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

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries and non-monetary. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds (2014: government bonds) that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

NOTES TO THE CONSOLIDATED FINANCIAL
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The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

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.

NOTES TO THE CONSOLIDATED FINANCIAL
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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.

5. 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). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL
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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.

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 33).

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6. Revenue

	2015 \$'000	2014 \$'000
From continuing operations		
Operating income	56,138	46,889
Interest income	130	95
Total revenue	56,268	46,984
Other income		
Profit on sale & lease back of hospital freehold (i)	1,297	-

- (i) On 30 June 2015 the Group sold its freehold interest in the Gympie Private Hospital for \$6.3m and entered a long term lease of the facility.

7. Profit from continuing operations before income tax expense

	2015 \$'000	2014 \$'000
The profit and loss from continuing operations before income tax has been determined after charging the following		
<i>Depreciation and amortisation expense</i>		
Depreciation of buildings, plant and equipment	943	702
Amortisation of intangible assets	57	-
	1,000	702
<i>Occupancy expenses</i>		
Rent paid/payable	4,795	3,849
Property outgoings	942	834
Relocation costs	-	118
	5,737	4,801
<i>Employee benefits expenses</i>		
Salaries and wages and on-costs	28,367	24,278
Superannuation paid/payable for the year	2,237	2,031
Termination Payments	-	130
Provision for underpaid superannuation from 1 July 2008	-	360
Share-based payments expense	94	76
	30,698	26,875
Interest expense and other finance costs	142	1,630

Acquisition, development and integration costs includes stamp duty and professional fees incurred in the purchase of The Hills Clinic Pty Ltd (Note 29).

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8. Auditors' remuneration

	2015 \$'000	2014 \$'000
Auditor of the parent entity - BDO East Coast Partnership		
Audit and review of the Financial Report	189	169
Other assurance services	32	-
Preparation of tax returns, other tax services	53	20
	274	189

9. Income tax expense

	2015 \$'000	2014 \$'000
(a) Reconciliation of income tax expense to prima facie		
Profit from continuing operations before tax	5,212	953
Loss from discontinuing operations before tax	(1,371)	-
	3,841	953
Income tax credit calculated at 30% (2014: 30%)	1,152	286
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payment expense	28	23
Other non-deductible expenses	236	223
Recognition of prior years tax losses	(123)	(454)
Aggregate income tax expense	1,294	78

(b) Unrecognised deferred tax assets

Tax losses

Unused tax losses for which no deferred tax asset has been recognised	987	987
Potential tax benefit @ 30%	296	296

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.

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	2015 \$'000	2014 \$'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 equity		
Net deferred tax – credited/(debited) directly to equity	119	286

	\$'000	\$'000
(d) Income tax components		
(Increase) / Decrease in deferred tax assets	605	(202)
(Increase) / Decrease in deferred tax liability	(46)	1
Current tax expense	735	279
Income tax expense	1,294	78
Income tax expense/(credit) is attributable to:		
Continuing operations	1,618	242
Discontinuing operation	(324)	(164)
Aggregate income tax expense	1,294	78

	2015 \$'000	2014 \$'000
(e) Deferred tax assets		
The balances comprise temporary differences attributable to:		
Tax losses	342	419
Employee benefits	1,051	966
Deferred income	145	564
Accruals	148	223
Others	168	168
Items charged directly to equity	294	413
Total	2,148	2,753

	2015 \$'000	2014 \$'000
(f) Deferred tax liabilities		
The balances comprise temporary differences attributable to:		
Finance lease assets	22	-
Prepayments	28	4
Total	50	4

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	2015 \$'000	2014 \$'000
(g) Movements in deferred tax asset		
Opening Balance	2,753	2,247
Amounts recognised in profit or loss:		
Employee benefits	85	123
Deferred income	(420)	(57)
Accrued expenses	(75)	21
Tax losses	(76)	128
Other	(65)	(13)
Additions through business combinations	65	18
Amounts recognised in equity:		
Capital raising costs	(119)	286
Closing Balance	2,148	2,753

	2015 \$'000	2014 \$'000
(h) Movements in deferred tax liability		
Opening Balance	4	3
Amounts recognised in profit or loss:		
Finance leases	22	-
Prepayments	24	1
Closing Balance	50	4

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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

10. Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash at bank and on hand	3,365	6,923
Restricted cash (i)	126	84
Total cash and cash equivalents	3,491	7,007

(i) 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	3,491	7,007
Balance as per statement of cash flows	3,491	7,007

(b) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 32.

11. Trade and other receivables

	2015 \$'000	2014 \$'000
Current		
Trade debtors	7,471	4,166
Sundry debtors	7,121	119
Prepayments	417	331
Accrued income	2,869	2,451
Total current trade and other receivables	17,878	7,067

(a) Impaired trade receivables

As at 30 June 2015, there were no current trade receivables of the Group that were impaired.

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(b) Past due but not impaired

As at 30 June 2015, trade receivables of \$1,203,000 (2014: \$1,157,000) were past due but not impaired. These related to a number of independent patients for whom there is no history of default. The ageing analysis of the trade receivables is as follows:

	2015 \$'000	2014 \$'000
Current		
30 to 60 days	552	973
60 to 90 days	367	127
Greater than 90 days	284	57
	1,203	1,157

(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 32 for more information on the credit quality of the Group's trade receivables.

12. Inventories

	2015 \$'000	2014 \$'000
Current		
On hand, available for use	721	854
Total current inventories	721	854

NOTES TO THE CONSOLIDATED FINANCIAL
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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 2015					
Opening net book amount	5,756	2,483	-	5,202	13,441
Additions by way of business combinations (Note 29)	-	1,953	-	388	2,341
Additions	-	788	-	1,625	2,413
Disposals	(5,355)	-	-	(1,073)	(6,428)
Depreciation charge	(53)	(236)	-	(654)	(943)
Closing net book amount	348	4,988	-	5,488	10,824
At 30 June 2015					
Cost	351	5,451	73	12,943	18,818
Accumulated depreciation	(3)	(463)	(73)	(7,455)	(7,994)
Net book amount	348	4,988	-	5,488	10,824
Year ended 30 June 2014					
Opening net book amount	5,686	274	6	4,355	10,321
Additions by way of business combinations	-	-	-	881	881
Additions	134	2,343	-	832	3,309
Disposals	-	-	-	-	-
Depreciation charge	(64)	(134)	(6)	(866)	(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

Non-current assets pledged as security

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

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14. Intangible assets

	Goodwill	Right to Operate Hospital	Software	Total
	\$'000	\$'000	\$'000	\$'000
At 30 June 2015				
Cost	53,508	13,249	236	66,993
Accumulated amortisation	-	(1,977)	(59)	(2,036)
Accumulated Impairments	(3,920)	-	-	(3,920)
Net book amount	49,588	11,272	177	61,037
Reconciliation of opening and closing net book amount - year ended 30 June 2015				
Opening net book amount	20,137	11,272	226	31,635
Additions	-	-	10	10
Acquired through business combinations (note 29)	30,514	-	-	30,514
Amortisation charge	-	-	(59)	(59)
Reclassification to Property, plant & equipment	-	-	-	-
Disposal	(1,063)	-	-	(1,063)
Closing net book amount	49,588	11,272	177	61,037
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 through business combinations	2,099	-	-	2,099
Amortisation charge ¹	-	(11)	-	(11)
Reclassification to Property, plant & equipment	-	(38)	-	(38)
Closing net book amount	20,137	11,272	226	31,635

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

² Software was purchase and developed during the year and commissioned on 1 July 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

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.

	2015 \$'000	2014 \$'000
Private Hospital Division	60,860	30,346
The Community Care Division (discontinued)	-	1,063
Goodwill allocation at 30 June	60,860	31,409

The recoverable amount of the 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) 13.0% (2014: 12.80%) pre-tax discount rate;
- (b) 3% (2014: 3%) per annum projected revenue growth rate;

The discount rate of 13.0% 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.

Results of the impairment tests conclude that value in use calculations are not sensitive to the above assumptions.

Based on the above, the recoverable amount of the hospital division exceeded the carrying amount by \$38.0m.

Apart from the considerations described above in determining the value-in-use of the cash generating unit, 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.

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15. Trade and other payables

	2015 \$'000	2014 \$'000
Current		
Trade creditors and accruals	5,783	4,000
Other creditors	1,924	589
Total current trade and other payables	7,707	4,589

16. Provisions

	2015 \$'000	2014 \$'000
Current		
Employee benefits ^(a)	2,945	2,754
Provision for superannuation guarantee charge ^(b)	-	360
Other	-	10
	2,945	3,124

(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:

	2015 \$'000	2014 \$'000
Employee benefits obligations expected to be settled after 12 months	972	909

(b) Provision for superannuation guarantee change

Represents underpaid superannuation contributions for employee shift allowances over the period 1 July 2009 to 25 May 2014.

	2015 \$'000	2014 \$'000
Non current		
Employee benefits	558	465
Total non current provisions	558	465

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

17. Borrowings

Current

Secured

Finance leases

Bank debt (a)

Total secured current borrowings

2015 \$'000	2014 \$'000
90	90
-	-
90	90

Non current

Secured

Finance Lease

Bank debt (a)

Borrowing costs

Total non current borrowings

2015 \$'000	2014 \$'000
153	243
24,000	-
(132)	-
24,021	243

(a) Bank debt

On 27 April 2015 the Group established a new core debt and working capital facility to assist with the purchase of The Hills Clinic Pty Ltd and development of the Gold Coast Surgical Hospital. The core facility is in place to 31 July 2018.

(b) Assets pledged as security

A general security interest is been registered over all the assets and undertakings of the consolidated entity. The general security interest is supported by a cross deed of guarantee and indemnity provided by all entities in the consolidated entity in favour of the bank.

Unused working capital and asset finance facility available at reporting date are:

Bank overdraft

Asset finance facility

Bank purchasing card

2015 \$'000	2014 \$'000
6,000	800
6,500	-
60	60
12,560	860

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

18. Other liabilities

	2015 \$'000	2014 \$'000
Current		
Government grants	3	9
Deferred consideration	2,176	-
Deferred income (a)	268	399
Total other current liabilities	2,447	408

	2015 \$'000	2014 \$'000
Non current		
Deferred income (a)	214	1,482
Deferred consideration	3,439	-
Total non current other liabilities	3,653	1,482

- (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.

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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

19. Issued capital and share based reserve

	2015	2014
	\$'000	\$'000
(a) Issued and paid-up capital		
164,221,202 (2014: 163,869,479) fully paid ordinary shares	56,402	56,351
(b) Movement in ordinary share capital		
Balance - 30 June 2013	No. of Shares	\$'000
	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
Issue of shares (DRP)	351,723	181
Share issue transaction costs, net of tax	-	(130)
Balance - 30 June 2015	164,221,202	56,402
(c) Share based payments reserve		
Balance at beginning of year	2015	2014
Add / (deduct):	\$'000	\$'000
Issue of options under the LTI Scheme	76	-
Balance at end of year	94	76
	170	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

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

(f) Capital management policies and procedures

The Group's capital management objectives are to:

- ensure the Group's ability to continue as a going concern; and
- provide an adequate return to shareholders.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the statement of financial position.

The Group's goal in capital management is to maintain a capital-to-overall financing ratio in line with the Group's bank finance covenants.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

For the period the debt facility was in place, the Group complied with all covenants.

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

20. Dividends

	2015		2014	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts (pre DRP)				
Fully paid ordinary shares				
Final dividend	0.5	819	-	-
Interim dividend	0.3	492	-	-
		<u>1,311</u>	<u>-</u>	<u>-</u>
Fully franked to 30% (Prior year: 30%)				
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend payable 2 October 2015	0.3	493	-	-
Fully franked to 30% (Prior year: 30%)				

Franking Account balance as at 30 June

	2015 \$'000	2014 \$'000
Franking account balance as at 30 June	475	432
Impact on franking account balance of dividends not recognised	(211)	(351)
Impact on franking account balance of income tax payable at 30 June	1,181	278
Adjusted franking account balance	<u>1,445</u>	<u>359</u>

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

21. Earnings per share (EPS)

	2015 Cents per share	2014 Cents per share
Basic earnings per share		
From continuing operations	2.19	0.76
From discontinued operations	(0.64)	(0.03)
Diluted earnings/(loss) per share		
From continuing operations	2.18	0.75
From discontinued operations	(0.63)	(0.03)

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

	2015 \$'000	2014 \$'000
Net profit after tax and used in calculation of basic & diluted EPS	2,547	875

	2015 No.	2014 No.
Weighted average number of ordinary shares used in calculation of basic EPS	163,956,205	120,307,835
Potential ordinary shares underlying the performance rights	1,123,644	546,288
Weighted average number of ordinary shares used in calculation of diluted EPS	165,079,849	120,854,123

22. Segment reporting

Management currently identifies the Group's single service line as its operating segment (see Note 4.5). For the year to 22 March 2015 the Group also operated the community care segment when this business was sold (refer note 28). The operating segment is monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

Segment information for the reporting period is as follows:

Year ended 30 June 2015	Private Hospitals	Unallocated Corporate Overhead	Total
	\$ 000's	\$ 000's	\$ 000's
Revenues			
From external customers	54,352	-	54,352
From other segments	12	(12)	-
Other revenue	1,786	130	1,916
Segment revenues	56,150	118	56,268
Underlying EBITDA	9,094	(2,486)	6,608
Depreciation and amortisation	(896)	(104)	(1,000)
Segment result (EBIT)	8,198	(2,590)	5,608
Finance costs (net)			(12)
Net profit before tax (underlying)			5,596
Corporate, acquisitions and integration costs			(1,681)
Profit on sale of freehold			1,297
Loss from discontinued business (Note 28)			(1,047)
Tax Expense			(1,618)
Net profit after tax			2,547

Year ended 30 June 2014	Private Hospitals	Unallocated Corporate Overhead	Total
	\$ 000's	\$ 000's	\$ 000's
Revenues			
From external customers	45,676	-	45,676
From other segments	59	(59)	-
Other revenue	1,185	123	1,308
Segment revenues	46,920	64	46,984
Underlying EBITDA	7,496	(2,670)	4,826
Depreciation and amortisation	(650)	(52)	(702)
Segment result (EBIT)	6,846	(2,722)	4,124
Finance costs (net)			(1,533)
Net profit before tax (underlying)			2,591
Corporate, acquisitions and integration costs			(825)
Loss from discontinued business (Note 28)			(205)
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

NOTES TO THE CONSOLIDATED FINANCIAL
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Management assesses the performance of the operating segment 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.

Segment revenues are derived from provision of medical and healthcare services at private hospitals and day surgeries.

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

	2015 \$'000	2014 \$'000
Segment assets		
Private Hospitals	89,830	51,101
Community Care (Discontinued)	-	1,393
Corporate & Unallocated:		
Cash	3,491	7,007
Trade and other receivables	224	62
Deferred tax asset	2,148	2,753
Property, plant and equipment	228	443
Other non current assets	178	(2)
Total assets as per the balance sheet	96,099	62,757

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 \$56,108,000 (2014: \$46,889,000), and the total revenue from external customers in other countries is \$0 (2014: \$0).

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

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

23. Controlled entities

Name of Entity	Country of Incorporation	Ownership Interest	
		2015 %	2014 %
Parent Entity			
Pulse Health Limited (i)	Australia		
Controlled Entities			
Pulse Health Hospitals Pty Ltd (ii)	Australia	100	100
Pulse Health Services Pty Ltd	Australia	100	100
Pulse Health Aged Care Pty Ltd	Australia	100	100
Pulse Health Nursing Pty Ltd	Australia	100	100
Bega Valley Private Hospital Pty Ltd	Australia	100	100
Care Call Pty Ltd	Australia	100	100
Forster Private Hospital Pty Ltd	Australia	100	100
Gold Coast Surgical Hospital Pty Ltd	Australia	100	100
Gympie Private Hospital Pty Ltd	Australia	100	100
KPH Hospital Pty Ltd	Australia	100	100
NMP Hospital Pty Ltd	Australia	100	100
Recruitment Specialist Group Pty Ltd	Australia	100	100
The Hills Clinic Pty Ltd (ii)	Australia	100	-
Westmead Rehabilitation Hospital Pty Ltd (ii)	Australia	100	100

(i) Pulse Health Limited is the head entity within the Closed Group

(ii) These companies are members of the Closed Group.

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

24. Commitments

Leasing commitments - operating

Committed at the reporting date but not recognised as liabilities

	2015 \$'000	2014 \$'000
- with one year	6,948	3,873
- one to five years	33,137	17,003
- more than five years	93,417	58,179
	133,502	79,055

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.

Leasing Commitments - finance

Committed at the reporting date and recognised as liabilities payable:

	2015 \$'000	2014 \$'000
- with one year	90	90
- one to five years	153	243
- more than five years	-	-
	243	333

Future finance charges

	-	-
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Net commitment recognised as liabilities

Representing

- Current lease liability (Note 17)	90	90
- Non current lease liability (Note 17)	153	243
	243	333

Capital commitments

Committed at the reporting date but not recognised as liabilities payable:

Leasehold improvements	3,150	-
Plant & equipment	3,392	-
	6,543	-

Capital commitments relate to leasehold improvement and theatre equipment for the development of the Gold Coast Surgical Hospital where funds have been committed but the assets not yet received.

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

25. Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 23.

(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 \$210 (excluding GST). The total amount of \$79,640 (excluding GST) was incurred during the year.
- Viburnum Funds Pty Ltd, a company associated with Mr Craig Coleman:
 - a debt arranger fee for assistance with securing our new debt and working capital facilities on competitive terms \$100,000 (excluding GST).
 - A fee of \$50,000 (excluding GST) for undertaking a strategic review of North Coast Community Care Pty Ltd including its financial and operation situation and potential options to enhance or extract value for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

26. Notes to the Consolidated Statement of Cash Flows

	2015 \$'000	2014 \$'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 10)	3,491	7,007
(b) Reconciliation of net cash flows from operating activities after income tax		
Profit after income tax	2,547	875
Adjustments for:		
Depreciation and amortisation	1,000	760
Share based payments	94	76
Interest income	(130)	(95)
Net changes in working capital:		
Change in trade and other receivables	(3,160)	175
Change in inventories	125	(25)
Change in deferred tax assets	605	506
Change in other operating assets	(2)	2
Change in trade and other payables	2,240	(427)
Change in current tax liability	475	(248)
Change in deferred tax liabilities	46	1
Change in provisions	(187)	729
Change in other operating liabilities	(184)	(8)
Net cash from operating activities	3,469	2,321

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

27. Parent entity disclosures

	2015	2014
	\$'000	\$'000
Information relating to Pulse Health Limited		
Current assets	39,032	11,591
Total assets	69,172	42,506
Current Liabilities	5,021	1,751
Total Liabilities	32,411	1,769
Issued capital	56,402	56,352
Share based payment reserve	170	76
Accumulated losses	(19,811)	(15,691)
Total shareholders' equity	36,761	40,737
Loss of the parent entity	(4,382)	(2,932)
Total Comprehensive loss of the parent entity	(4,382)	(2,932)

28. Discontinued operations

Community Care

On 22 March 2015 the Group sold North Coast Community Care Pty Ltd (NCCC), a subsidiary of Pulse Health Limited, for consideration of \$750,000 less an adjustment for working capital, resulting in a loss on disposal before income tax of \$358,000. NCCC was non-core being the only community care unit in the broader Pulse Health portfolio and future losses were projected due to the sub-scale nature of the operation.

Financial information relating to the discontinued operation for the period to 22 March 2015 is set out below and also disclosed in Note 22:

	2015	2014
	\$'000	\$'000
Revenue	2,035	2,820
Employee benefits expense	(1,876)	(2,590)
Occupancy expenses	(44)	(69)
Depreciation and amortisation expense	(11)	(15)
Impairment	(313)	-
Other expenses	(205)	(238)
Loss before income tax	(414)	(92)
Income tax credit	30	71
Loss after income tax	(384)	(21)
Loss on disposal before income tax	(359)	-
Income tax expense / credit	115	-
Loss after tax from discontinued operation	(628)	(21)

**NOTES TO THE CONSOLIDATED FINANCIAL
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The carrying amounts of assets and liabilities disposed of are summarised as follows:

	2015 \$'000	2014 \$'000
Cash and cash equivalents	28	-
Trade and other receivables	325	-
Other current assets	29	-
Property, plant & equipment	34	-
Goodwill	750	-
Other non-current assets	44	-
Total assets	1,210	-
Trade and other payables	(291)	-
Provisions	(126)	-
Total liabilities	(417)	-
Net assets	793	-

The loss on disposal is as follows:

	2015 \$'000	2014 \$'000
Total sale consideration	516	-
Carrying amount of net assets disposed	(793)	-
Disposal costs	(82)	-
Loss on disposal before income tax	(359)	-
Income tax expense	115	-
Loss on disposal after income tax	(244)	-

Cash flows generated by North Coast Community Care Pty Ltd for the reporting period until disposed of are as follows:

	2015 \$'000	2014 \$'000
Operating activities	(58)	129
Investing activities	375	-
Cash flows from discontinued operations	317	129

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South Burnett Private Hospital

On 30 June 2015 the Group closed the small 22 bed regional hospital it operated in Kingaroy Queensland. The South Burnett Private Hospital was under-performing and increased competition from the local public hospital for medical patients would increase future losses.

Financial information relating to the discontinued operation for the period to 30 June 2015 is set out below and also disclosed in Note 22:

	2015 \$'000	2014 \$'000
Revenue	2,741	2,546
Employee benefits expense	(1,908)	(1,651)
Occupancy expenses	(67)	(145)
Medical consumables and supplies	(711)	(445)
Depreciation and amortisation expense	(158)	(42)
Other expenses	(496)	(376)
Loss before income tax	(599)	(113)
Income tax credit	180	93
Loss after income tax	(419)	(20)
Loss on disposal before income tax	-	-
Income tax expense / credit	-	-
Loss after tax from discontinued operation	(419)	(20)

Cash flows generated by South Burnett Private Hospital Pty Ltd for the reporting period are as follows:

	2015 \$'000	2014 \$'000
Operating activities	(211)	(6)
Investing activities	(18)	(156)
Cash flows from discontinued operations	(229)	(162)

All physical assets of the business have been transferred for use in other Pulse Health Hospitals. Trade debtors are being collected and trade and other payables are being settled in the normal course business.

NOTES TO THE CONSOLIDATED FINANCIAL
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29. Business combination

On 5 May 2015, the Group acquired 100% of the ordinary shares of The Hills Clinic Pty Ltd (The Hills Clinic), a Sydney based specialist mental health hospital. The acquisition represents the Group's beachhead into the attractive mental health market and enhances the Group's position as a niche operator of specialist hospitals and surgery centres.

Details of the business combination are as follows:

	\$'000
<i>Fair value of consideration transferred</i>	
Amount settled in cash	27,700
Fair value of contingent consideration	5,615
Total	<u>33,315</u>
<i>Recognised amounts of identifiable assets</i>	
Property, plant and equipment	2,341
Other non-current assets	65
Total non-current assets	<u>2,406</u>
Trade and other receivables	1,470
Cash and cash equivalents	15
Other current assets	80
Total current assets	<u>1,565</u>
Provisions	(226)
Trade and other payables	(944)
Total current liabilities	<u>(1,170)</u>
Identifiable net assets	<u>2,801</u>
Goodwill on acquisition	<u>30,514</u>
Consideration transfer settled in cash	27,700
Cash and cash equivalents acquired	(15)
Net cash outflow in acquisition	<u>27,685</u>
Acquisition costs charged to expenses	1,253
Net cash paid relating to acquisition	<u>28,938</u>

Consideration transferred

The acquisition of The Hills Clinic was settled in cash of \$27,700,000.

The purchase agreement included an additional consideration of \$5,900,000, payable only if the total patient revenues of The Hills Clinic for 2015 and 2016 exceed revenue targets agreed in the share purchase agreement. The additional consideration will be paid in August 2015 and August 2016. The additional consideration payments are subject to a roll-forward mechanism such that any unpaid portion of the aggregate of the first earn-out payment and second earn-out payment remain payable through to FY17, then subject to achievement of the FY17 revenue target and payable in August 2017.

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The \$5,615,000 fair value of the contingent consideration liability initially recognised represents the present value of the Group's probability-weighted estimate of the cash outflow. It reflects management's estimate of a 100% probability that the targets will be achieved based on the current momentum in the business and is discounted using an interest rate of 4.1%.

As at 30 June 2015, there have been no changes in the estimate of the probable cash outflow.

Acquisition and integration related costs amounting to \$1,302,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of acquisition, development and integration costs.

Goodwill

Goodwill of \$30,514,000 is primarily related to growth expectations, expected future profitability, and expected cost synergies. The Hills Clinic Goodwill has been allocated to cash-generating units at 30 June 2015. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

The Hills Clinic's contribution to the group results

The Hills Clinic derived revenue of \$1.97m and a profit before tax of \$568,000 for the 56 days from 5 May 2015 to the reporting date. If The Hills Clinic had been acquired on 1 July 2014 revenue for the Group for 2015 would have been \$66.3m, and profit before tax for the year would have increased by \$2.79m.

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30. Key management personnel disclosures

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

	2015	2014
	\$	\$
Short-term employee benefits	1,067,375	1,137,405
Post-employment benefits	62,909	98,721
Long-term benefits	27,595	13,217
Termination benefits	-	-
Share-based payments	93,510	76,254
	1,251,389	1,325,597

31. Share based payments

2015

On 5 December 2014 the Company issued 315,000 performance rights to executives under a performance right plan established by the Company. The Company may, at the discretion of the Remuneration Committee, grant options or rights over ordinary shares in the company to certain key management personnel.

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 4	315,000	Ordinary	05/12/2014	31/12/2017	\$0.84

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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 value at grant date
05/12/2014	31/12/2017	\$0.40	-nil-	45%	-nil-	3.0%	\$0.14

2014

The following summarises the performance rights that were granted during the 2014 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

For the performance rights issued during 2014, the valuation model inputs used to determine the fair value at the grant date, was as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
18/12/2013	31/12/2014	\$0.40	-nil-	65%	-nil-	2.67%	\$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

32. 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.

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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 the following borrowings outstanding:

	30 June 2015		30 June 2014	
	Weighted Average Interest Rate (%)	Balance \$'000	Weighted Average Interest Rate	Balance \$000's
Bank loans - variable	4.095	24,000	-	-

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 healthcare 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 2015, 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.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value risk.

The Group's bank loan outstanding, totalling \$24,000,000 (2014: \$NIL), is an interest only payment loan. Quarterly cash outlays of approximately \$250,000 (2014: \$NIL) per quarter are required to service the interest payments. An official increase/decrease in interest rates of 100 (2014: NIL) basis points would have an adverse/favourable effect on profit before tax of \$50,000 (2014: \$NIL) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Price risk

The consolidated entity is not exposed to any significant price risk.

NOTES TO THE CONSOLIDATED FINANCIAL
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FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

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 2015	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
Consolidated Financial Liabilities						
Trade & other payables	7,707	-	-	-	-	7,707
Borrowings	491	491	983	25,065	-	27,030
Current tax payable	1,181	-	-	-	-	1,181
Deferred consideration	2,176	-	3,600	-	-	5,776
Finance leases	45	45	90	63	-	243
	11,600	536	4,673	25,128	-	41,937

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
Consolidated Financial Liabilities						
Trade & other payables	4,589	-	-	-	-	4,589
Borrowings	-	-	-	-	-	-
Current tax payable	278	-	-	-	-	278
Deferred consideration	-	-	-	-	-	-
Finance leases	45	45	90	153	-	333
	4,912	45	90	153	-	5,200

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

33. Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2015 and 30 June 2014:

	2015 \$'000 Level 3	2014 \$'000 Total
Financial Liabilities		
Contingent consideration payable	5,615	-
Total liabilities	5,615	-

Valuation techniques for fair value measurements categorised within level 3

The fair value of contingent consideration related to the acquisition of The Hills Clinic Pty Ltd (see Note 29) is estimated using a present value technique. The \$5,615,000 fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 4.1%. The probability-weighted cash outflows before discounting are \$5,776,000 and reflect the management's estimate of a 100% probability that the contract's target revenue level will be achieved. The discount rate used is 4.1%, based on the Group's estimated incremental borrowing rate for similar financial liabilities at the reporting date

34. Events subsequent to balance date

No matters or circumstances have arisen since 30 June 2015 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.

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

35. Contingent liabilities

(a) Financial Guarantees

The Consolidated Group has issued bank guarantees in favour of third parties to the face value of \$2,575,200.

In addition, the parent entity has provided guarantees to third parties guaranteeing the debts and the performance of contracts entered into by controlled entities with third parties. No amounts have been recognised in the financial statements in respect of these guarantees based on Directors' assessment of the fair value at 30 June 2015.

(b) ASIC Class Order 98/1418

The Closed Group consists of the entities denoted by (ii) at Note 23.

Pursuant to Class Order 98/1418, the Company and each of the entities of the Closed Group have entered into a Deed of Cross Guarantee on 23 June 2015 such that the Company guarantees to pay any deficiency in the event of a winding up of a controlled entity in the Closed Group and each controlled entity in the Closed Group has also given a similar guarantee in the event of the winding up of the Company.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position of the entities that are members of the Closed Group are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

Statement of Financial Position

	2015 \$'000
CURRENT ASSETS	
Cash and cash equivalents	3,361
Trade and other receivables	7,908
Inventories	19
Total Current Assets	11,288
NON CURRENT ASSETS	
Property, plant and equipment	4,265
Trade and other receivables	29,416
Deferred tax assets	659
Intangible assets	41,964
Total Non Current Assets	76,304
TOTAL ASSETS	87,592
CURRENT LIABILITIES	
Trade and other payables	3,126
Provisions	977
Current tax liability	1,181
Other liabilities	2,176
Total Current Liabilities	7,460
NON CURRENT LIABILITIES	
Borrowings	23,868
Deferred tax liabilities	47
Provisions	357
Other liabilities	3,439
Total Non Current Liabilities	27,711
TOTAL LIABILITIES	35,171
NET ASSETS	52,421
Contributed equity	56,402
Share based payment reserve	170
Accumulated losses	(4,151)
TOTAL EQUITY	52,421

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

Statement of Profit or Loss and Other Comprehensive Income	2015 \$'000
Revenue	19,428
Employee benefits expense	(10,594)
Occupancy expenses	(2,388)
Medical consumables and supplies	(251)
Medical contractors	(321)
Professional fees	(373)
Other expenses	(2,007)
Finance costs	(142)
Acquisition, development and integration costs	(1,608)
Depreciation and amortisation expense	(277)
Profit from continuing operations before income tax	1,467
Income tax expense	(1,618)
Profit for the year	(151)
Total comprehensive income for the year	(151)

Equity - retained profits	2015 \$'000
Retained profits at the beginning of the financial year	(2,682)
Profit after income tax expenses	(151)
Dividends Paid	(1,318)
Retained profits at the end of the financial year	(4,151)

DIRECTORS' DECLARATION
30 JUNE 2015

- I. 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 2015 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 2015.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.
4. At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33 to the financial statements.

Signed in accordance with a resolution of the Directors:



Director

Stuart James

Date: 28 August 2015



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Australia

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 2015, 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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



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 2015 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 11 to 17 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'BDO' above 'Paul Bull'.

Paul Bull
Partner

Sydney, 28 August 2015

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 11 August 2015.

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	184	-
1,001 - 5,000	326	-
5,001 - 10,000	168	-
10,001 - 100,000	400	-
100,001 and over	90	3
	1168	3
Holding less than a marketable parcel	164	-

Ordinary shares		
	Number held	% of total shares issued
Viburnum Funds Pty Ltd	48,998,923	29.84
Commonwealth Bank of Australia Limited	12,528,064	7.62
Throvena Pty Ltd	10,956,939	6.67 *
IOOF Holdings Limited	8,630,578	5.26

* calculated based on units per last disclosure notice and shares on issue at 11 August 2015

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 –

- at meetings of members or classes of members each member who is entitled to vote may vote in person or by proxy or attorney; and
- 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.

SHAREHOLDER INFORMATION (CONTINUED)

Restricted Securities

At 30 June 2015 and 11 August 2015 the Company does not hold any restricted securities. It is noted that the Rights have a vesting condition requiring the relevant employees of the Company or its subsidiaries to remain an employee while the right remain unvested until:

- 31 December 2016 for tranche 2 and 3
- 31 December 2017 for tranche 4

Equity security holders

Twenty largest quoted equity security holders

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

	Shares held	% of total shares issued	Rank
VIBURNUM FUNDS PTY LTD <VF STRATEGIC EQUITIES FD A/C>	48,998,923	29.84	1
CITICORP NOMINEES PTY LIMITED	11,770,866	7.17	2
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	7,966,667	4.85	3
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,420,978	3.91	4
NATIONAL NOMINEES LIMITED	6,061,484	3.69	5
THROVENA PTY LTD	5,327,179	3.24	6
THROVENA PTY LTD	4,433,114	2.70	7
LUJETA PTY LTD <THE MARGARET ACCOUNT>	4,000,000	2.44	8
LUJETA PTY LTD <MARGARET A/C>	4,000,000	2.44	9
GWYNVILL TRADING PTY LTD	3,550,000	2.16	10
MIRRABOOKA INVESTMENTS LIMITED	3,500,000	2.13	11
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	3,359,599	2.05	12
MR STUART BRUCE JAMES + MRS GILLIAN DOREEN JAMES <S B JAMES SUPER FUND A/C>	2,756,589	1.68	13
SANDHURST TRUSTEES LTD <TBF SMALL CAP VAL GRWTH A/C>	2,660,000	1.62	14
BNP PARIBAS NOMS PTY LTD <DRP>	2,536,771	1.54	15
P EWART INVESTMENTS PTY LTD	1,901,300	1.16	16
DR PHILIP GORDON WILSON EWART	1,842,933	1.12	17
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,717,379	1.05	18
SMACE PTY LTD <ALMONTE SUPER FUND A/C>	1,533,608	0.93	19
DR PHILIP GORDON WILSON EWART + MRS KYLIE EWART <EWART SUPER FUND A/C>	1,458,171	0.89	20
Total for Top 20	125,795,561	76.61	

COMPANY INFORMATION

COMPANY SECRETARY	Mr David Franks
REGISTERED OFFICE	Suite 4, Level I 175 Castlereagh Street Sydney, NSW 2000
PRINCIPAL PLACE OF BUSINESS	Suite 4, Level I 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

