

ANNUAL REPORT 2014

ATCOR MEDICAL HOLDINGS LIMITED

CONTENTS

Key events in 2014	2
Chairman's letter to shareholders	3
CEO's report	4
Annual financial report	7
Directors' report	8
Auditor's independence declaration	20
Directors' declaration	51
Independent auditors' report to the members	52
Shareholder information	54
Corporate directory	Back cover

This financial report is the consolidated financial report of AtCor Medical Holdings Limited and its subsidiaries. The financial report is presented in the Australian currency. AtCor Medical Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Suite 11, 1059 – 1063 Victoria Road, West Ryde NSW 2114. A description of the nature of the consolidated entity's operations and its principal activities is included in the CEO's report on pages 3 to 6 and in the directors' report on pages 8 to 19, both of which are not part of this financial report. The financial report was authorised for issue by the directors on 28 August 2014. The company has the power to amend and reissue the financial report. Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Investors section on our website – atcormedical.com.

SphygmorCor EM – for
the research market



SphygmorCor XCEL – the tool for
clinicians and pharmaceutical trials



Leading change in cardiovascular medicine

AtCor Medical has established its SphygmoCor® technology as the global gold standard in non-invasive assessment of aortic central blood pressure and arterial stiffness in the research, pharmaceutical clinical trial and clinical practice markets.

As non-invasive assessment continues its steady progress from the world of science into the world of patient care, our goal is to maintain our leadership position as central pressures and arterial stiffness measurement become the standard of care in cardiovascular risk assessment and patient management.

In June 2014, AtCor Medical and SunTech Medical launched their new jointly developed product, **Oscar 2 with SphygmoCor Inside**. This is a new 24-hour ambulatory blood pressure monitor (ABPM) system that combines the advantages of SunTech's patented Orbit cuff and best-in-industry motion tolerance, with AtCor's market leading central blood pressure technology. It is complementary to AtCor's SphygmoCor EM and XCEL systems, which are intended for use in an office setting.



KEY EVENTS IN 2014

Oscar 2

SphygmoCor inside

- Launched at the European Society of Hypertension meeting in June 2014.



SphygmoCor XCEL

- Approved for sale in China, South Korea and Canada.
- Rated as 'excellent' against European Artery society guidelines.



Scientific publications

Over 150 papers have been published regarding SphygmoCor in the last year, bringing the total to more than 800.

Key studies published

BP Guide study – Found that significantly less medication was needed to achieve healthy blood pressure levels when treatment decisions were based on central blood pressure (Hypertension, September 2013).

A Randomized Pilot Study of Aortic Waveform Guided Therapy in Chronic Heart Failure – Patients who received medical therapy for heart failure with standard medications guided by central augmentation index (AIx) experienced clinically significant improvement in exercise capacity on par with other heart failure treatments such as cardiac resynchronization therapy (surgically implanting a pacemaker) (J Am Heart Assoc., April 2014).





CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

As I comment on the fortunes of AtCor throughout the past year, I do so with many mixed and opposing feelings. In terms of our financial results the outcome was not what we would have liked or planned for.

The overwhelming driver of the gap between AtCor's actual and planned performance was the continued delay in pharmaceutical companies' contracting of new clinical studies and study extensions. The pharmaceutical sector business is very important to AtCor, and in recent years sales to this market have been the focus of our growth strategy. While the size of contracts can be significant, the timing of such transactions can be lumpy and not easy to forecast. I do however want to emphasise that we do not believe that we have lost any business and that the level of activity in terms of interactions about planned projects is robust. This gives us much more confidence regarding our future prospects and performance.

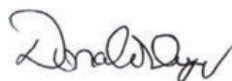
As we assess the healthcare environment worldwide today, the case for the use of our technology in routine medical practice remains very strong. Central blood pressure, as measured by SphygmoCor, is an invaluable aid to help address key cardiovascular risks such as heart disease and stroke. As the move to a more personalised approach to managing patients is coupled with an ever increasing acceptance that the continuing increases in healthcare costs worldwide need to be contained – and the value of a more concerted effort to diagnose early and prevent disease becomes generally accepted – these trends align very well with what SphygmoCor has to offer. Because of these trends and being in the earlier stages of technology adoption we continue to be confident about a sustainable future.

Despite not achieving the financial results we had planned, there were many very important achievements. These are covered in detail in the CEO's report. Several of these efforts include initiatives to expand our base business in the pharmaceutical sector, by both focusing on more types of drugs and diseases, and on a broader base of pharmaceutical companies than before. Significant effort has been expended to achieve a move to a Category 1 CPT reimbursement code in the USA, and numerous activities are taking place to drive partnerships which can bring value to AtCor. Reports on important clinical studies continue to confirm the value of our leading technology. For example, one Australian study to manage the health of patients with high blood pressure concluded that using central blood pressure to help guide patients' treatment resulted in less medication being needed to achieve blood pressure control, as central measurement was a more accurate indicator of the actual pressure placed on the heart and other vital organs.

So as we look to the future there is much that we can feel positive about. We have a very clear set of priorities, and we are committed to doing all we can to achieve them.

I want to thank all of our employees and associates for their ongoing commitment and hard work. I also wish to, again, recognise our customers who continue to be the greatest advocates for our technology and who are leading the way to find new and better ways to treat and manage cardiovascular disease and hypertension.

Finally, I wish to thank you, our shareholders, for your support and wish you and AtCor great success for the year ahead and the future.



Donal O'Dwyer
Sydney, Australia

28 August 2014



LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholder,

The 2014 financial year was a year of both adversity and success. While our financial metrics largely reflected the effects of pharmaceutical clinical trial contracting delays and fell short of expectations, a number of milestones were achieved and we made significant progress in some sectors. With the anticipated return of our pharmaceutical clinical trials business to a more normal level of activity and building on the initiatives we have under way, AtCor is well positioned to deliver improved results in FY2015 and beyond. AtCor is the undisputed market leader in central blood pressure management and measures of arterial stiffness and we are still in the early days of a growth market which is valued at \$2 billion. The opportunity ahead is expansive. As we displayed with our strong results in FY2013, we have sized the business to be profitable and cash flow positive at sales levels of A\$9 million and above, assuming current foreign exchange rates. Our commitment to investors, beyond return to profitability, is to work toward providing more predictable results year to year. Specific initiatives taken over the past 12 months are putting the foundation in place to achieve this. These initiatives constitute our four strategic areas of focus.

STRATEGIC FOCUS AND ACTIONS

De-risking and adding more predictability to AtCor's pharmaceutical business

In FY2014 we focused pharmaceutical business development on expanding both the number of therapeutic areas for which SphygmoCor is used in trials and the number of pharmaceutical companies using our technology. On the therapeutic front, SphygmoCor use has expanded well beyond hypertension trials and AtCor has, or is, currently conducting trials in heart failure, nephrology (kidney), respiratory and inflammatory diseases. In January we commenced our first trial supporting a treatment for the inflammatory disease psoriasis. Cardio-oncology and diabetology are two other areas of focus for future growth. As current pharmaceutical customers present and publish their findings using SphygmoCor their competitors take note. The pharmaceutical sector is also aware of the increased adoption of SphygmoCor in clinical practice. These trends increase pharmaceutical companies' focus on the impact of new drugs on central pressure and arterial stiffness before they are marketed for broad clinical utilisation. Rather than rely on a few key customers, AtCor has diversified its sales pipeline of potential contracts, valued at US\$16 million, across nine pharmaceutical companies. This aims to both de-risk our sales line and provide more consistent deal flow.

Building toward a CPT 1 Code in the US

The US Renal Physicians Association (RPA) is on track to file an application with the American Medical Association (AMA) for a Category 1 CPT code which would cover the SphygmoCor test toward the end of 2014. A successful application would set the foundation in place for equitable reimbursement of the SphygmoCor test for US doctors, unleashing demand and providing higher growth, more predictable revenue for AtCor. Elsewhere in this report is a chart which outlines the steps that lead to implementation of the CPT1 code. This includes the role of the RUC (Relative Value Scale Update Committee) which advises the government regarding the time, skill and effort that a doctor spends on a procedure, and how much that procedure should be compensated by Medicare. This is an important step to enable reimbursement for the test to be set by the Center for Medicare and Medicaid Services. AtCor's US sales team has worked hard to prepare the market for this filing, having sold 200 clinical systems which are used by more than 400 doctors in patient care. Currently a Category 3 CPT Code, also secured through an application by the RPA, covers the SphygmoCor test. While this was a necessary step to build toward a Category 1 code, coverage and reimbursement has been constrained by the need for medical practices to negotiate independently with payers.

Growth initiatives in Asia Pacific providing revenue diversification

Our sales in Asia Pacific, including Australia and New Zealand, were up over 13% to prior year (8% in constant currency terms). Based on initiatives completed and underway, we expect double-digit growth in this market to be achievable for the foreseeable future. In 2014 we signed an exclusive distribution agreement with Angy (China) Medical Ltd, which has 20 sales and service offices in China, each with a sales team and technical support personnel. Angy has more than 135 sub-distributors, is one of Sony Healthcare's best performing distributors, and its preparation of the market has been excellent. We received our first order for 11 SphygmoCor devices in June, after the product's clearance for sale by the Chinese regulatory authority. During the year, we also received regulatory approval to sell SphygmoCor XCEL in South Korea. Working with our distributor DK Medical, we developed a focused program to support more rapid development of the clinical market. Based on results to date, we anticipate that sales will double from baseline in the first 12 months. In Japan, where we have had limited success to date, we are working to develop an exclusive distribution agreement with a Japanese Healthcare company to promote clinical applications of SphygmoCor XCEL, which we expect to announce in the next few months.

Effective partnering and business development

AtCor is fully committed to partnering initiatives which strengthen and diversify our business in both our existing markets and related medical disciplines. These relationships support and strengthen our drive for sales in the pharmaceutical trials market and clinical practice markets and new market development. One example is our successful partnership with SunTech Medical. We have jointly developed a new product for the ambulatory blood pressure market, "Oscar 2 with SphygmoCor Inside", which was launched at the Athens European Society of Hypertension Meeting in June. Commercial sales will commence in the second quarter of FY2015. In this 'top to bottom' alliance both partners will share in the gross profit, with AtCor having primary sales responsibility in the pharmaceutical market – the largest market for the product – and SunTech having primary responsibility for clinical and research sales. AtCor is also conducting a very successful trial in Europe with a Fortune 500 medical device company. The trial features the use of AtCor's SphygmoCor technology to optimise cardiac pacemaker settings. The technology application is patent protected, and a previous clinical study has shown it is faster and more precise than current methods. The procedure is already reimbursed under an existing Category 1 CPT Code.

FY2014 RESULTS

AtCor's FY2014 sales were \$5.05 million, down 44%, or 50% on a constant currency basis, from the prior period sales of \$9.06 million. Pharmaceutical sales fell \$4.3 million from record prior year levels. However, performance included a number of positive indicators. Sales in Europe rose 9% and the region delivered a positive contribution to earnings for the second consecutive year. Sales in Asia Pacific increased 8% and US clinical practice sales rose 10%. US research sales were lower than the prior year, as a large government order did not repeat; but the segment is expected to return to growth in FY2015 and is off to a good start.

Gross margin was 81.3%, down from 86.5% in the prior year. This resulted from both lower volume and a lower-margin mix of pharmaceutical sales. Expenses rose 5.9%, reflecting currency fluctuations, as expenses were flat on a constant currency basis. At year end we further reduced our expense base by \$250,000. The 2014 loss after income tax was \$2.7 million, compared to a profit of \$2.7 million in 2013. A portion of this difference can be explained by a \$1.3 million reduction in other income (comprising reduced grant income, R&D tax concession payment and foreign exchange loss versus gain in FY2013) versus FY2013. Cash at 30 June was \$2.2 million, compared to \$2.8 million at 30 June 2013. Net cash outflows from operating activities for the year were \$1.4 million compared to net cash inflows from operating activities of \$1.8 million in FY2013 (FY2013 receipts were \$0.7 million higher than FY2014 due to higher grant and R&D tax receipts). Net tangible assets per share decreased from 3.2 cents in FY2013 to 2.1cents.

AtCor well positioned to return to growth

The proportion of the pharmaceutical industry's clinical trials market using central blood pressure measurement is currently about 5%, and this market represents a US\$100 million per year opportunity for AtCor. Our sales opportunities under management are a healthy US\$16 million. There are substantial drivers for AtCor's growth. Pharmaceutical companies have continued to experience pressure on drug prices, especially in single payer government based markets. Patent expiries have resulted in increased generic competition. Also, merger and acquisition activity was very strong in the second half of FY2014, as companies shed mature, slow growing product lines, divested non-core businesses outside the traditional prescription drug market, and added product categories. These sector-related issues impacted AtCor's customers; purchasing decisions by one major customer were constrained by an internal re-organisation which is now complete, and two customers encountered unanticipated delays in completing trials which slowed contracting for the next phase of studies by up to 12 months. Whilst we did not lose any potential contracts the outcome for AtCor was a lengthening of the time taken to begin a clinical trial. While these events slowed the contracting process, they have not changed the need for pharmaceutical clients to complete these studies. There is considerable evidence that the sector faces tremendous pressure to innovate and needs to develop new drugs to remain competitive. Importantly, as central pressures are increasingly measured in clinical practice, there will be greater incentive for pharmaceutical companies to understand well in advance how their drugs affect central blood pressures.

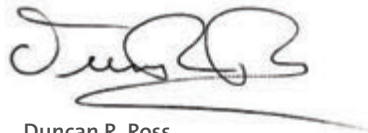
Sales opportunities under management in the non-pharmaceutical sector are valued at US\$8 million. Regionally, our Asia-Pacific, Europe and US Clinical markets are expected to continue to grow; and we anticipate that the US research market will return to growth. Combined with our increased activity in alliance management, potential new applications for our technology such as pacemaker optimisation, and new revenue from the joint product launch with SunTech Medical, our non-pharmaceutical business is positioned for sustainable growth.

The breadth of research and evidence supporting SphygmoCor's leadership position in central blood pressures and measures of arterial stiffness continues to expand. Over 90% of trials cited in third party peer reviewed papers in the sector used SphygmoCor. Over the past year over 150 new papers were published in support of our technology, bringing the total number of supporting papers to over 800 with thousands of additional citations. Important new research is being brought forward on SphygmoCor's application to assist treatment for heart failure and cognitive function, including Alzheimer's disease.

Our current healthcare delivery system is in the early stages of transition from a high cost, late stage disease model toward a new, more sustainable model of earlier identification and less costly intervention, enabling clinical problems to be addressed at their most treatable stage. This is a both an economic and moral imperative. The US alone spends over US\$300 billion per year on the direct and indirect costs of cardiovascular disease. SphygmoCor's early adoption in clinical practice has provided invaluable information to doctors that are not available from existing office-based technology. Information from SphygmoCor has provided clinicians with a sound basis to decide which hypertension patients need treatment, and to better select the drugs and dosing levels for optimal hypertension patient management. New applications for SphygmoCor in high cost disease states are in development.

We thank you for your continued support and look forward to keeping you apprised of our progress in during the coming year.

Sincerely,



Duncan R. Ross
Chicago, Illinois USA

28 August 2014

Decoding the codes: CPT® and RUC simplified

AMA works collaboratively to develop common language for healthcare community



Physicians volunteer expertise



Rich Duszak
Radiologist and member
of CPT editorial panel

"I really want to make a difference in our healthcare delivery system, and participating in the CPT Editorial Panel process — a fundamental step in service reporting and therefore ultimately payment — is an important way to do just that."



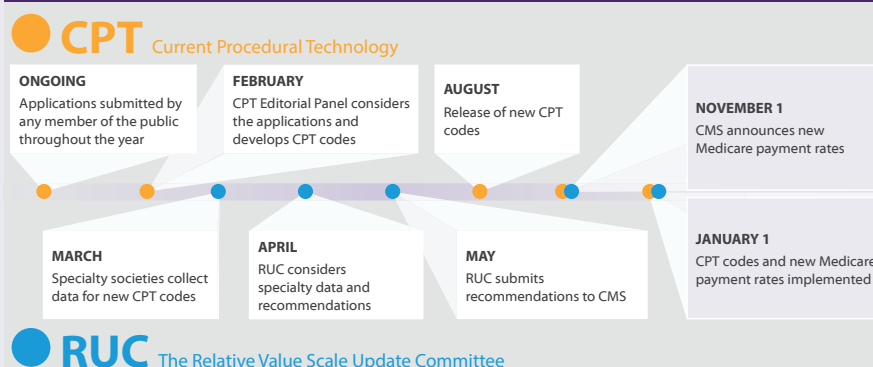
Doug Leahy
Primary care internist
and member of RUC

"Medicine is a profession with a heart. The RUC has allowed me to be my patients' advocate. There is no group who does a better job to get it right and I am very honored to be part of the process."

CPT is a set of codes and descriptions for reporting medical services and procedures which provides a common language to accurately describe services in the health care profession.

The RUC is a volunteer panel that makes recommendations to the government on relative values and practice costs used to establish Medicare payment rates.

Steps to a code



Members of the CPT editorial panel

Members of the RUC

300 Advisors and Experts Provide Input

CMS is a member of the CPT Editorial Panel and attends the RUC meetings

11 Appointed Physician Members	1 Chair	1 CPT Editorial Panel Representative
3 Physician Payer Representatives	1 Practice Expense Review Committee Representative	1 American Osteopathic Association Representative
2 HCPAC Representatives	1 AMA Representative	
1 AHA Physician Representative	25 Appointed Members of Medical Specialty Societies	1 HCPAC Representative

ANNUAL FINANCIAL REPORT 2014

CONTENTS

Directors' report	8
Auditor's independence declaration	20
Corporate governance statement	21
Statement of comprehensive income	24
Balance sheet	25
Statements of changes in equity	26
Cash flow statement	27
Notes to the financial statements	28
Directors' declaration	51
Independent auditors' report to the members	52

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of AtCor Medical Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

DIRECTORS

The following persons were directors of AtCor Medical Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- D. O'Dwyer
- D. R. Ross
- M. F. O'Rourke
- P. R. Jenkins
- D. L. Brookes

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of designing, manufacturing and marketing medical devices for use in cardiovascular management.

DIVIDENDS – ATCOR MEDICAL HOLDINGS LIMITED

No dividend was paid during the financial year and the directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

The Group recorded sales of devices and services to hospitals, research institutions, pharmaceutical companies and clinicians during the year of \$5,053,284 (2013: \$9,055,721). The loss for the year after income tax amounted to \$2,663,508 (2013: profit of \$2,734,023). Further information on the operations and financial position of the Group and its business strategies and prospects is set out in the CEO's report on pages 4 to 6 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2014 that has 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group is not subject to any specific environmental legislation or regulations.

INFORMATION ON DIRECTORS

Donal O'Dwyer BEng, MBA

Chairman – Independent non-executive. Age 61.

Experience and expertise

Independent director of the Group since September 2004 and chairman since November 2004. Extensive experience in the cardiovascular sector. Prior to joining the AtCor Board he was worldwide President of Cordis Cardiology, the cardiology division of Johnson & Johnson.

Other current directorships

Non-executive director for 3 other listed public companies: Cochlear Ltd, Mesoblast Ltd and Fisher & Paykel Healthcare Corporation Ltd.

Former directorships in last 3 years

Sunshine Heart Inc.

Special responsibilities

- Chairman of the Board
- Member of audit and risk committee
- Member of remuneration and nomination committee

Interests in shares and options

Indirect: 4,117,322 ordinary shares in AtCor Medical Holdings Limited

Duncan R. Ross BS

Managing Director and CEO. Age 56.

Experience and expertise

Executive director of the Group since November 2006. 30 years in life sciences and medical device industry. Most recently Group President Fisher Scientific Inc and Apogent Technologies Inc prior to joining AtCor Medical.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

CEO

Interests in shares and options

Direct: 2,103,052 ordinary shares in AtCor Medical Holdings Limited

6,000,000 options over ordinary shares in AtCor Medical Holdings Limited

Indirect: Nil

Dr Michael O'Rourke A.M. MD, DSc

Non-executive director. Age 77.

Experience and expertise

Co-founder and inventor of the core technology for the SphygmoCor system. Co-author of the standard reference textbook *McDonald's Blood Flow in Arteries*. He also serves on the editorial Boards for the American Heart Association journal *Hypertension*, and on the editorial Boards of *Journal of Hypertension*, *American Journal of Hypertension* and *Journal of American Society of Hypertension*.

Other current directorships

Victor Chang Foundation

Former directorships in last 3 years

None

Special responsibilities

None

Interests in shares and options

Indirect: 10,311,396 ordinary shares in AtCor Medical Holdings Limited

Peter Jenkins DSc (honorary)

Independent non-executive director. Age 79.

Experience and expertise

Has served on the AtCor Group's Board since 2000, including 4 years as chairman. Consultant to Colonial First State Private Equity until his retirement in December 2005. Previously had over 30 years experience in the pharmaceutical and medical diagnostics industry.

Other current directorships

None

Former directorships in last 3 years

Chairman and non-executive director of Queensland BioCapital Funds Ltd

Special responsibilities

- Chair of remuneration and nomination committee
- Member of audit and risk committee

Interests in shares and options

Direct: 1,209,394 ordinary shares in AtCor Medical Holdings Limited

Dr David Brookes MBBS, FACRRM, FAICD

Independent non-executive director. Age 54.

Experience and expertise

Independent director for the Group since November 2008. A Fellow of the Australian College of Rural and Remote Medicine. He currently works as a general medical practitioner and has extensive experience in rural Australia, especially in paediatric and procedural practice.

Other current directorships

Non-executive director and chairman of Reproductive Health Technologies Ltd

Former directorships in last 3 years

None

Special responsibilities

- Chair of audit and risk committee
- Member of remuneration and nomination committee

Interests in shares and options

Direct: 158,256 ordinary shares in AtCor Medical Holdings Limited

Indirect: 750,001 ordinary shares in AtCor Medical Holdings Limited

COMPANY SECRETARY

The company secretary is Peter Manley (BBus, CPA, ACIS). Peter was appointed to the position of company secretary in March 2005. He also holds the position of Chief Financial Officer. Before joining AtCor Medical Holdings Limited he was Company Secretary and CFO for Sirtex Medical Ltd, a publicly listed medical device company. Prior to this he has held financial positions in a variety of large Australian and foreign-owned corporations.

MEETINGS OF DIRECTORS

The numbers of meetings of the company's Board of directors and of each Board committee held during the year ended 30 June 2014, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of non-executive directors		Meetings of committees			
					Audit		Remuneration	
	A	B	A	B	A	B	A	B
D. O'Dwyer (Chairman)	6	7	6	6	2	2	2	2
D. R. Ross (CEO)	7	7	*	*	**	**	**	**
M. F. O'Rourke	7	7	6	6	**	**	**	**
P. R. Jenkins	6	7	5	6	2	2	2	2
D. L. Brookes	7	7	6	6	2	2	2	2

A Number of meetings attended

B Number of meetings held during the time the director held office or was a member of the committee during the year

* Not a non-executive director

** Not a member of the relevant committee

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

- D. O'Dwyer retired by rotation as a director and was re-elected on 31 October 2013.
- P. R. Jenkins retired by rotation as a director and was re-elected on 31 October 2013.

REMUNERATION REPORT (AUDITED)

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 – Service agreements
- D – Share based compensation
- E – Additional information.

The information provided under headings A – E includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

A – PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- capital management.

Alignment to shareholders' interests:

- has company growth as a core component of plan design
- focuses on sustained long-term growth in shareholder wealth
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in company value
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board also refers to external surveys 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 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 are entitled to receive share options, following approval by the shareholders of AtCor Medical Holdings Limited.

Directors' fees

The current base remuneration was last reviewed with effect from 1 January 2009. Fees are inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The pool currently stands at \$260,000, excluding share-based payments that are subject to separate shareholder approval.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- long-term incentives through participation in the AtCor Medical Holdings Employee Share Option Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. No external remuneration advisors were engaged during the financial year. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executives' contracts.

Benefits

Executives receive benefits that may include health insurance and car allowances.

Retirement benefits

Statutory superannuation payments are made quarterly to a fund selected by Australian based executives. Executives may also elect to salary sacrifice additional payments to their fund. No other retirement benefits are offered.

Short-term incentives

Each executive has a target short-term incentive (STI) opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance.

Each year, the remuneration committee considers the appropriate financial targets and performance management objectives (PMOs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2014, the PMOs linked to STI plans were based on group, individual business and personal objectives. The PMOs required performance in growing sales revenue, managing operating expenses and cash, and achieving specific targets in relation to project advancement, as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods. These PMOs are specific to each of the senior executives and are also varied depending on company performance.

The remuneration committee is responsible for assessing whether the PMOs are met. To help make this assessment, the committee receives detailed reports on performance from management.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

The STI target annual payment is reviewed annually.

AtCor Medical Holdings Employee Share Option Plan

Information on the AtCor Medical Holdings Share Option Plan is set out on pages 14 to 16.

Voting and comments made at the AtCor Medical Holdings Limited 2013 AGM

AtCor Medical Holdings Limited received a unanimous "yes" vote on a show of hands and 97% "yes" votes from proxies for its remuneration report for the 2013 financial year. No comments or specific feedback regarding the Group's remuneration practices were received at the AGM or through the year.

Company performance

There is a strong correlation between sales performance and STI payouts, with non-financial targets also being increased or decreased in line with sales outcomes. For FY2014 sales were much weaker than the previous year and short of budget in most regions. This resulted in a significantly reduced average STI payout of approximately 15% of target.

B – DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of AtCor Medical Holdings Limited and the Group are set out in the following tables.

The key management personnel of the Group are the directors of AtCor Medical Holdings Limited (see pages 8 to 9 above) and those executives who report directly to the CEO or who have authority to significantly influence the direction of the Group. The executives are:

- Peter Manley – Chief Financial Officer
- Douglas Kurschinski – Senior Vice President & General Manager, AtCor Medical Inc
- Mark Harding – Vice President, Global Marketing & International Sales, AtCor Medical Pty Ltd

The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed Short-term incentives above. Options and bonuses are granted at the discretion of the Board, on recommendation from the remuneration committee. Other elements of remuneration are not directly related to performance.

D. Ross and D. Kurschinski are paid in USD as they are US-based executives. Changes in base pay and non-monetary benefits are partly attributable to the weaker AUD against the USD through FY14 (Ave rate FY14: 0.9114, FY13: 1.0310).

Key management personnel of the Group

	Short-term employee benefits			Post-employment benefits	Long term benefits		Share based payment	
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Termination benefits \$	Options \$	Total \$
2014								
Non-executive directors								
D. O'Dwyer (Chairman)	92,661	—	—	8,571	—	—	—	101,232
M. F. O'Rourke	42,932	—	—	2,568	—	—	—	45,500
P. R. Jenkins	51,660	—	—	3,090	—	—	—	54,750
D. L. Brookes	50,153	—	—	4,639	—	—	—	54,792
Sub-total non-executive directors	237,406	—	—	18,868	—	—	—	256,274
Executive directors								
D.R Ross (CEO)	373,335	16,826	20,726	—	—	—	88,141	499,028
Other key management personnel								
P. Manley	201,653	5,338	—	19,442	8,344	—	17,362	252,139
D. Kurschinski	279,244	16,633	20,728	—	—	—	30,264	346,869
M. Harding	219,225	39,888	—	25,000	3,547	—	14,065	301,725
Totals	1,310,863	78,685	41,454	63,310	11,891	—	149,832	1,656,035
2013								
Non-executive directors								
D. O'Dwyer (Chairman)	95,413	—	—	8,587	—	—	—	104,000
M. F. O'Rourke	42,145	—	—	688	—	—	—	42,833
P. R. Jenkins	56,500	—	—	—	—	—	—	56,500
D. L. Brookes	51,835	—	—	4,665	—	—	—	56,500
Subtotal non-executive directors	245,893	—	—	13,940	—	—	—	259,833
Executive directors								
D. R. Ross (CEO)	300,824	147,513	17,152	—	—	—	45,822	511,311
Other key management personnel								
P. Manley	199,663	36,378	—	16,016	5,849	—	12,384	270,290
D. Kurschinski	233,399	93,063	17,142	—	—	—	27,015	370,619
M. Harding	210,172	44,826	—	24,546	1,902	—	14,229	295,675
Totals	1,189,951	321,780	34,294	54,502	7,751	—	99,450	1,707,728

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

	Fixed remuneration		At risk – STI		At risk – LTI	
	2014	2013	2014	2013	2014	2013
Non-executive directors						
D. O'Dwyer (Chairman)	100%	100%	–	–	–	–
M. F. O'Rourke	100%	100%	–	–	–	–
P. R. Jenkins	100%	100%	–	–	–	–
D. L. Brookes	100%	100%	–	–	–	–
Executive directors						
D. R. Ross (CEO)	53%	58%	32%	34%	15%	8%
Other key management personnel						
P. Manley	78%	80%	16%	16%	6%	4%
D. Kurschinski	61%	62%	31%	31%	8%	7%
M. Harding	66%	66%	30%	30%	4%	4%

C – SERVICE AGREEMENTS

Remuneration and other terms of employment for the CEO and the other key management personnel are formalised in employment agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits including health insurance and car allowances, and participation, when eligible, in the AtCor Medical Holdings Employee Share Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with variable notice periods, subject to termination payments as detailed below.

D. R. Ross, CEO

- Term of agreement – permanent. Commenced 8 May 2006.
- Base salary for the year ended 30 June 2014 of US\$340,000 which is reviewed annually by the remuneration committee. Additionally the company contributes to a health plan on the employee's behalf. Value in FY14 – US\$18,888.
- Bonus potential – 60% of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the 6 months base salary for the remaining term of the agreement.

In the event of a significant change in duties, material diminution in status or responsibilities, or Mr Ross is required to relocate more than 40 miles from his employment location; a 90-day option to exercise termination is available with payment equal to 1 year's base salary.

P. Manley, Chief Financial Officer

- Term of agreement – permanent. Commenced 28 February 2005.
- Base salary, inclusive of superannuation, for the year ended 30 June 2014 of \$224,853 which is reviewed annually by the remuneration committee.
- Bonus potential – 20% of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the 1 month base salary for the remaining term of the agreement.

D. Kurschinski, Senior Vice President & General Manager, AtCor Medical Inc.

- Term of agreement – permanent. Commenced 12 April 2004.
- Base salary for the year ended 30 June 2014 of US\$258,750 which is reviewed annually by the remuneration committee.
- Bonus potential – 50% of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 1 month's base salary for the remaining term of the agreement. In the event of a change in control and if termination occurs within 90 days of the change of control payment of a termination benefit of equal to 6 month's base salary is payable.

M. Harding, Vice President, Global Marketing & International Sales, AtCor Medical Pty Ltd.

- Term of agreement – permanent. Commenced 8 September 2008.
- Base salary, inclusive of superannuation, for the year ended 30 June 2014 of \$247,767 which is reviewed annually by the remuneration committee.
- Bonus potential – 45% of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the 2 months base salary for the remaining term of the agreement.

D – SHARE BASED COMPENSATION

Options

Options are granted under the AtCor Medical Holdings Employee Share Option Plan. All staff are eligible to participate in the plan (including executive directors). Options are granted at the discretion of the Board based on recommendations from the remuneration committee.

Options are granted under the plan for no consideration. Options are granted for a 5 year period, and one third of each new tranche vests and is exercisable after each of the first three anniversaries of the date of grant.

The terms and conditions of each grant of options affecting remuneration and were under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
18 Feb 2010	18 Feb 2015	\$0.164	\$0.07	18 Feb 2011
18 Feb 2010	18 Feb 2015	\$0.164	\$0.08	18 Feb 2012
18 Feb 2010	18 Feb 2015	\$0.164	\$0.08	18 Feb 2013
1 Mar 2010	1 Mar 2015	\$0.164	\$0.06	1 Mar 2011
1 Mar 2010	1 Mar 2015	\$0.164	\$0.07	1 Mar 2012
1 Mar 2010	1 Mar 2015	\$0.164	\$0.07	1 Mar 2013
17 Feb 2011	17 Feb 2016	\$0.12	\$0.04	17 Feb 2012
17 Feb 2011	17 Feb 2016	\$0.12	\$0.04	17 Feb 2013
17 Feb 2011	17 Feb 2016	\$0.12	\$0.05	17 Feb 2014
21 Oct 2011	21 Oct 2016	\$0.084	\$0.03	21 Oct 2012
21 Oct 2011	21 Oct 2016	\$0.084	\$0.03	21 Oct 2013
21 Oct 2011	21 Oct 2016	\$0.084	\$0.03	21 Oct 2014
16 Feb 2012	16 Feb 2017	\$0.098	\$0.04	16 Feb 2013
16 Feb 2012	16 Feb 2017	\$0.098	\$0.04	16 Feb 2014
16 Feb 2012	16 Feb 2017	\$0.098	\$0.05	16 Feb 2015
23 Aug 2012	23 Aug 2017	\$0.075	\$0.02	23 Aug 2013
23 Aug 2012	23 Aug 2017	\$0.075	\$0.02	23 Aug 2014
23 Aug 2012	23 Aug 2017	\$0.075	\$0.03	23 Aug 2015
5 Oct 2012	5 Oct 2017	\$0.075	\$0.02	5 Oct 2013
5 Oct 2012	5 Oct 2017	\$0.075	\$0.02	5 Oct 2014
5 Oct 2012	5 Oct 2017	\$0.075	\$0.03	5 Oct 2015
26 Oct 2012	26 Oct 2017	\$0.084	\$0.03	26 Oct 2013
26 Oct 2012	26 Oct 2017	\$0.084	\$0.03	26 Oct 2014
26 Oct 2012	26 Oct 2017	\$0.084	\$0.03	26 Oct 2015
19 Nov 2012	19 Nov 2017	\$0.085	\$0.03	19 Nov 2013
19 Nov 2012	19 Nov 2017	\$0.085	\$0.03	19 Nov 2014
19 Nov 2012	19 Nov 2017	\$0.085	\$0.03	19 Nov 2015
29 Aug 2013	29 Aug 2018	\$0.139	\$0.04	29 Aug 2014
29 Aug 2013	29 Aug 2018	\$0.139	\$0.05	29 Aug 2015
29 Aug 2013	29 Aug 2018	\$0.139	\$0.05	29 Aug 2016
31 Oct 2013	31 Oct 2018	\$0.181	\$0.06	31 Oct 2014
31 Oct 2013	31 Oct 2018	\$0.181	\$0.07	31 Oct 2015
31 Oct 2013	31 Oct 2018	\$0.181	\$0.08	31 Oct 2016

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within ten days following the receipt of exercise notice, payment and the original option certificate.

The exercise price of options is to be no less than the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Details of options over ordinary shares in the company provided as remuneration to each director of AtCor Medical Holdings Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of AtCor Medical Holdings Limited. Further information on the options is set out in Note 30 to the financial statements.

Options granted to directors and other key management personnel under the Employee Share Option Plan since 30 June 2014

No options have been granted in the period from 30 June 2014 to the date of this report.

Details of option values

The numbers of options to purchase ordinary shares held as at the date of this report by each Director of AtCor Medical Holdings and each of the other key management personnel are listed below. When exercisable, each option is convertible into one ordinary share of AtCor Medical Holdings.

Name	Financial year granted	# of securities	Exercise price	Expiration date	Vested and exercisable at end of financial year
Directors					
D. O'Dwyer (Chairman)	—	—	—	—	—
D. R. Ross (CEO)	2012	2,500,000	\$0.084	21 Oct 16	1,666,667
	2013	1,400,000	\$0.084	26 Oct 17	466,667
	2014	2,100,000	\$0.181	31 Oct 18	—
M. F. O'Rourke	—	—	—	—	—
P. R. Jenkins	—	—	—	—	—
D. L. Brookes	—	—	—	—	—
Other executives					
P. Manley	2010	150,000	\$0.164	18 Feb 15	150,000
	2011	300,000	\$0.12	17 Feb 16	300,000
	2012	150,000	\$0.098	16 Feb 17	100,000
	2013	450,000	\$0.075	23 Aug 17	150,000
	2014	500,000	\$0.139	29 Aug 18	—
D. Kurschinski	2010	250,000	\$0.164	18 Feb 15	250,000
	2011	300,000	\$0.12	17 Feb 16	300,000
	2012	500,000	\$0.098	16 Feb 17	333,333
	2013	1,000,000	\$0.075	23 Aug 17	333,334
	2014	725,000	\$0.139	29 Aug 18	—
M. Harding	2011	200,000	\$0.12	17 Feb 16	200,000
	2012	350,000	\$0.098	16 Feb 17	233,333
	2013	400,000	\$0.075	23 Aug 17	133,334
	2014	300,000	\$0.139	29 Aug 18	—

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2014 included:

- (a) options are granted for no consideration, one third of each tranche vests and is exercisable after each of the first 3 anniversaries of the date of grant
- (b) average exercise price: \$0.16 (2013: \$0.08)
- (c) expiry date: 5 years from grant date (2013: 5 years from grant date)
- (d) Weighted average share price at grant date: \$0.13 (2013: \$0.07)
- (e) expected price volatility of the company's shares: 60% (2013: 60%)
- (f) expected dividend yield: Nil% (2013: nil%)
- (g) risk free interest rate: 3.0% (2013: 3.20%).

Shares provided on exercise of remuneration options

2,850,000 ordinary shares in the company were issued as a result of the exercise of remuneration options by directors of AtCor Medical Holdings Limited and other key management personnel of the Group in 2014. No ordinary shares were issued in previous financial years.

No amounts are unpaid on any shares issued on the exercise of options.

E – ADDITIONAL INFORMATION

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

A bonus structure is used to reward executives for performance against short term (current year) Group and personal goals. Longer term company performance is ensured through participation by executives in the company share option plan.

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on pages 12 and 13, the percentage of the available bonus or grant that was paid, or that vested, 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. The options vest in three equal tranches over 3 years, provided the beneficiary is still employed by the Group at the time of vesting. No options will vest if this condition is not satisfied, hence the minimum value of the option yet to vest is nil.

	Cash bonus		Options					
	Paid	Forfeited	Financial year granted	Vested	Forfeited	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
	%	%		%	%			
D. O'Dwyer (Chairman)	—	—	—	—	—	—	—	—
P. R. Jenkins	—	—	—	—	—	—	—	—
M. F. O'Rourke	—	—	—	—	—	—	—	—
D. L. Brookes	—	—	—	—	—	—	—	—
D. R. Ross (CEO)	7%	93%	2012	100%	—	2013	—	—
				100%	—	2014	—	—
				—	—	2015	—	26,390
			2013	100%	—	2014	—	—
				—	—	2015	—	14,874
				—	—	2016	—	15,942
			2014	—	—	2015	—	45,680
				—	—	2016	—	49,492
				—	—	2017	—	52,961

	Cash bonus		Options					
	Paid	Forfeited	Financial year granted	Vested	Forfeited	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
	%	%						
P. Manley	12%	88%	2010	100%	—	2011	—	—
				100%	—	2012	—	—
				100%	—	2013	—	—
			2011	100%	—	2012	—	—
				100%	—	2013	—	—
				100%	—	2014	—	—
			2012	100%	—	2013	—	—
				100%	—	2014	—	—
				—	—	2015	—	2,346
			2013	100%	—	2014	—	—
				—	—	2015	—	3,564
				—	—	2016	—	3,853
			2014	—	—	2015	—	7,024
				—	—	2016	—	7,680
				—	—	2017	—	8,279
D. Kurschinski	12%	88%	2010	100%	—	2011	—	—
				100%	—	2012	—	—
				100%	—	2013	—	—
			2011	100%	—	2012	—	—
				100%	—	2013	—	—
				100%	—	2014	—	—
			2012	100%	—	2013	—	—
				100%	—	2014	—	—
				—	—	2015	—	7,819
			2013	100%	—	2014	—	—
				—	—	2015	—	7,919
				—	—	2016	—	8,561
			2014	—	—	2015	—	10,184
				—	—	2016	—	11,137
				—	—	2017	—	12,005
M. Harding	36%	64%	2011	100%	—	2012	—	—
				100%	—	2013	—	—
				100%	—	2014	—	—
			2012	100%	—	2013	—	—
				100%	—	2014	—	—
				—	—	2015	—	5,473
			2013	—	—	2014	—	2,886
				—	—	2015	—	3,168
				—	—	2016	—	3,424
			2014	—	—	2015	—	4,214
				—	—	2016	—	4,608
				—	—	2017	—	4,967

Share based compensation: Options

Further details relating to options are set out below.

	A	B	C	D	E
	Remuneration consisting of options	Value at grant date \$	Value at exercise date \$	Value at lapse date \$	Total of columns B – D \$
D. O'Dwyer (Chairman)	–	–	–	–	–
D. R. Ross (CEO)	8%	148,134	49,500	–	197,634
M. F. O'Rourke	–	–	–	–	–
P. R. Jenkins	–	–	–	–	–
D. L. Brookes	–	–	–	–	–
P. Manley	5%	22,983	11,050	–	34,033
D. Kurschinski	7%	33,325	13,671	–	46,996
M. Harding	4%	13,790	1,500	–	15,290

A The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.

B The value at grant date calculated in accordance with AASB 2 Share based payment of options granted as part of remuneration.

C The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Shares under option

Unissued ordinary shares of AtCor Medical Holdings Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	No. of shares under option
18 February 2010	18 Feb 2015	\$0.164	625,000
1 March 2010	1 Mar 2015	\$0.164	150,000
17 February 2011	17 Feb 2016	\$0.120	1,785,000
21 October 2011	21 Oct 2016	\$0.084	2,500,000
16 February 2012	16 Feb 2017	\$0.098	2,180,000
23 August 2012	23 Aug 2017	\$0.075	3,625,000
5 October 2012	5 Oct 2017	\$0.075	300,000
26 October 2012	26 Oct 2017	\$0.084	1,400,000
19 November 2012	19 Nov 2017	\$0.085	125,000
29 August 2013	29 Aug 2018	\$0.139	3,215,000
31 October 2013	31 Oct 2018	\$0.181	2,100,000
			18,005,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

4,135,000 ordinary shares of AtCor Medical Holdings Limited were issued during the year ended 30 June 2014 on the exercise of options granted under the AtCor Medical Holdings Employee Share Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Transaction with directors

A director, M. F. O'Rourke, provided consulting services to the Group as a medical advisor until 31 August 2012, for which he received a monthly retainer. This agreement was based on normal commercial terms and conditions. The amount paid for the year ended 30 June 2014 is \$nil (2013: \$29,659).

Insurance of officers

During the financial year, AtCor Medical Holdings Limited paid a premium of \$16,329 to insure the directors and secretaries of the company and its Australian based controlled entities, and the general managers of each of the divisions of the Group.

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 entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from 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 them or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 21 to the accounts.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in the relevant professional requirements, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

During the year the fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms. Details are shown in Note 21 of the audited accounts.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



Director
Sydney

28 August 2014

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

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

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AtCor Medical Holdings Limited and the entities it controlled during the period.


M W Chiang
Partner
PricewaterhouseCoopers

Sydney
28 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board of Directors has adopted a formal charter that defines the roles and responsibilities of Directors and management. This charter is available on the company website. During the reporting period all senior executives were subject to a formal performance review against defined company and personal objectives.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

AtCor currently has five directors, four of whom are hold non-executive positions and one (Chief Executive Officer) who holds an executive position. Directors' name, position, independence status and additional committee duties are outlined in the table below.

The Board considers the present complement of five directors to be appropriate for the size of the Company and therefore casual vacancies will be filled as and when they arise. The combined skill set of the Directors is also appropriate for the stage of company evolution, with expertise in industry, medical and business management. Individual Directors' experience is outlined in the Directors' Report.

	Director since	Non-executive	Independent	Sub-committees	
				Audit & Risk	Remuneration & Nomination
D. O'Dwyer (Chairman)	Jul 2004	Yes	Yes	Yes	Yes
D. R. Ross (CEO)	Nov 2006	No	No	No	No
P. R. Jenkins	Jan 1999	Yes	Yes	Yes	Chairman
M. F. O'Rourke	Nov 1993	Yes	No	No	No
D. L. Brookes	Sep 2008	Yes	Yes	Chairman	Yes

Independence criteria

A director will be regarded as independent if that person is a non-executive director and is free from any interest and other business relationship that could materially interfere with that person's ability to act in the best interests of AtCor. Particularly, they must not be or have been:

- a substantial shareholder of AtCor or associated with a substantial shareholder of AtCor;
- an executive of AtCor for the last three years;
- a principal of a material professional advisor or an employee of a material service provider for the last three years;
- a material supplier to or a customer of AtCor or its subsidiaries.

If one of these relationships exists, either directly or through a related party interest, the Board may still consider a director to be independent however it must clearly state the reasons for this decision in the Annual Report. If the independent status of a director is lost this will be disclosed to the market immediately.

A substantial shareholding is considered to be more than 5%.

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

An “AtCor Code of Business Conduct” has been adopted by the Board, a copy of which may be found on the AtCor website. Directors and staff are also subject to a clearly enunciated share trading policy, also available on the Company website.

Diversity Policy and progress towards gender diversity

The Board has developed and adopted a diversity policy that ensures all personnel within the organisation will be treated with respect and no person will be discriminated against either during their employment or through recruitment action, no matter their gender, age, race, religion, cultural background, marital status, sexual orientation or disability. AtCor recognises there is difficulty achieving diversity across all areas of the company due to the relatively small size of the workforce, but considers increased representation by women to be a desirable outcome. The Board believes a target of 25% representation by women in non-executive directorships and 25% representation in senior and other management roles within 5 years to be achievable.

AtCor currently has four non-executive directors and 27 employees based across two jurisdictions. Since the last report headcount has decreased by one employee. Combined with other turnover there was an increase of one additional woman and a reduction of two men during 2014. There were no changes in directors, executives or managers during the year.

Gender diversity statistics are as follows:

	No. of employees	
	Male	Female
Non-executive directors	4	0
Senior executive officers	4	0
Other managers	4	1
Other employees	13	5
Total employees	25	6

PRINCIPLE 4: SAFEGUARD INTEGRITY ON FINANCIAL REPORTING

An Audit & Risk Committee has been in place for the full reporting period and comprises 3 independent directors as members, being:

- D. L. Brookes (Chairman)
- D. O'Dwyer
- P. R. Jenkins

Details of their qualifications and attendance at committee meetings are detailed on pages 8 to 10 of the Directors' Report. The Committee is subject to an Audit and Risk Committee charter that is published on the AtCor website.

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers was appointed as the external auditor in 2005. A change of audit partner was effected in 2012 following the completion of five years as auditor by the previous partner.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in Note 21 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Any information to be disclosed to the ASX is subjected to review and authorisation by at least 2 directors before its release. This ensures that the information released is accurate.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

AtCor has adopted the Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007 that makes the annual report available on the company's website and only provides a printed copy to those members who elect to receive it in this form.

The website also includes a feedback mechanism and an option for shareholders to register their email address for direct email updates on company matters.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

AtCor is active in communicating with its shareholders, including posting all announcements to a separate section on its website. Additionally, shareholders and interested parties may receive an email notification when announcements have been posted if desired. The company complies with this principle.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Board members receive full reports from all functions within the company each Board meeting which alert directors to specific risks and actions taken to mitigate these risks. A company-wide review of risk is also undertaken periodically and actions taken to mitigate risk where appropriate.

A comprehensive quality system is in place that is reviewed regularly by various regulatory bodies from around the world. This quality system places considerable importance on maintaining a strong control environment.

Due to the company's size no separate internal audit function has been established. Substantive testing is undertaken by external auditors who Directors may contact independently.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

AtCor has a Remuneration & Nomination Committee whose membership comprises three non-executive directors, all of whom are independent. A charter has been established and is available on the AtCor Medical website.

The remuneration report on pages 10 to 18 of the directors report discloses the basis on which executive remuneration is determined plus details current salaries and incentives.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

		Consolidated	
	Notes	2014 \$	2013 \$
Revenue from continuing operations			
Revenue from sale of goods and services	5	5,053,284	9,055,721
Other revenue	5	8,081	1,161
Total revenue		5,061,365	9,056,882
Other income	6	502,754	1,722,916
Expenses from ordinary activities			
Cost of sale of goods		(942,887)	(1,211,863)
Marketing and sales expense		(3,746,015)	(3,228,362)
Product development and regulatory expense		(1,384,992)	(1,443,118)
Occupancy expense		(154,511)	(141,458)
Administration expense		(1,927,177)	(2,020,974)
Foreign exchange loss		(72,045)	—
(Loss)/profit before income tax		(2,663,508)	2,734,023
Income tax expense	8	—	—
(Loss)/profit for the year		(2,663,508)	2,734,023
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		104,068	(92,343)
Total comprehensive (loss)/profit for the year		(2,559,440)	2,641,680
Total comprehensive profit/(loss) attributable to members of AtCor Medical Holdings Limited		(2,559,440)	2,641,680
		Cents	Cents
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	29	(1.7)	1.8
Diluted earnings per share	29	(1.7)	1.8

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

BALANCE SHEET

As at 30 June 2014

		Consolidated	
	Notes	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	2,168,156	2,874,209
Trade and other receivables	10	1,547,712	2,668,507
Inventories	11	537,539	325,794
Other	12	98,287	156,316
Total current assets		4,351,694	6,024,826
Non-current assets			
Property, plant and equipment	13	279,576	350,181
Total non-current assets		279,576	350,181
Total assets		4,631,270	6,375,007
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,215,573	1,395,037
Provisions	15	110,728	40,107
Total current liabilities		1,326,301	1,435,144
Non-current liabilities			
Provisions	16	21,022	60,930
Total non-current liabilities		21,022	60,930
Total liabilities		1,347,323	1,496,074
Net assets		3,283,947	4,878,933
EQUITY			
Contributed equity	17	32,850,570	32,109,909
Reserves	18(a)	1,949,272	1,621,411
Accumulated losses	18(b)	(31,515,895)	(28,852,387)
Total equity		3,283,947	4,878,933

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Notes	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012		31,954,152	1,516,678	(31,586,410)	1,884,420
Profit for the year		—	—	2,734,023	2,734,023
Other comprehensive (loss)		—	(92,343)	—	(92,343)
Total comprehensive income/(loss) for the year		—	(92,343)	2,734,023	2,641,680
Transactions with equity holders in their capacity as equity holders:					
Capital placement and rights issue (net)	17	155,757	—	—	155,757
Share options expensed	18	—	197,076	—	197,076
		155,757	197,076	—	352,833
Balance at 30 June 2013		32,109,909	1,621,411	(28,852,387)	4,878,933
Loss for the year		—	—	(2,663,508)	(2,663,508)
Other comprehensive income		—	104,068	—	104,068
Total comprehensive (loss)/income for the year		—	104,068	(2,663,508)	(2,559,440)
Transactions with equity holders in their capacity as equity holders:					
Options exercised	17	740,661	—	—	740,661
Share options expensed	18	—	223,793	—	223,793
		740,661	223,793	—	964,454
Balance at 30 June 2014		32,850,570	1,949,272	(31,515,895)	3,283,947

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

CASH FLOW STATEMENT

For the year ended 30 June 2014

		Consolidated	
	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		6,191,655	8,551,338
Payments to suppliers and employees (inclusive of goods and services tax)		(8,049,558)	(7,984,799)
		(1,857,903)	566,539
Other revenue		485,874	1,208,962
Interest received		8,081	1,161
Net cash (outflow)/inflow from operating activities	28	(1,363,948)	1,776,662
Cash flows from investing activities			
Payments for property, plant and equipment		(44,409)	(58,051)
Net cash (outflow) from investing activities		(44,409)	(58,051)
Cash flows from financing activities			
Net proceeds from issue of shares		740,661	(14,428)
Net cash inflow/(outflow) from financing activities		740,661	(14,428)
Net (decrease)/increase in cash and cash equivalents		(667,696)	1,704,183
Cash and cash equivalents at the beginning of the financial year		2,874,209	1,117,306
Effects of exchange rate changes on cash and cash equivalents		(38,357)	52,720
Cash and cash equivalents at end of financial year	9	2,168,156	2,874,209

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of AtCor Medical Holdings Limited and its subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. AtCor Medical Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial report of AtCor Medical Holdings Limited complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

b) Going concern

During the year ended 30 June 2014, the Consolidated Entity incurred an operating loss of \$2,663,508 (2013 profit: \$2,734,023) and net cash outflows from operating activities of \$1,363,948 (2013 inflows: \$1,776,662), and at 30 June 2014 had cash on hand of \$2,168,156 (2013: \$2,874,209).

The Board and management have demonstrated the ability to generate profit and positive cash flows and intend to improve the current financial position by carrying out the following actions over the next 12 months:

- continuing to secure contracts with existing and new pharmaceutical customers to derive income from sales of product in line with the Company's cash flow forecasts

- continue close and effective monitoring of the Company's operating expenditure, including implementing appropriate cost saving initiatives as necessary. The Board approves an annual budget and regularly receives forecasts from management to monitor performance against budget and to consider longer term prospects.

In addition to the above, management has already delayed some expenditure and reduced headcount to ensure that the Consolidated Entity will have sufficient funds to meet its debts as and when they fall due for a period of at least 12 months from the date of this report.

In these circumstances the directors have considered the suitability of adopting the going concern basis for the preparation of this financial report and have concluded that it is appropriate.

c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AtCor Medical Holdings Limited ("company" or "parent entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. AtCor Medical Holdings Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(c)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board that is identified as the chief operating decision maker.

f) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is AtCor Medical Holdings Limited's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised as follows:

i) Medical devices

A sale is recorded when goods have been dispatched to a customer pursuant to a sales order and the associated risk has passed to the carrier or customer.

ii) Services

Revenue from services is recognised over the period that the service is provided.

iii) Interest

Interest income is recognised when the Group becomes entitled to receive interest. Interest income is recognised at the prevailing interest rates.

h) Government grants

Grants from the government, including the R&D tax concession, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

j) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

k) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

l) Cash and equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

m) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement on terms between 30 and 90 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

n) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials only. Costs are assigned to individual items of stock on the basis of weighted average costs.

o) Investments and other financial assets

The Group classifies its other financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date that are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

p) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Manufacturing plant and equipment 3 – 10 years.
- Furniture, fixtures and equipment 3 – 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(k)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

q) Intangible assets

i) Patents

Patents have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives. Patents have a useful life of 20 years from grant date.

ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the period of the expected benefit, which varies between 5 – 10 years.

r) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

s) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

t) Employee benefits

i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

iv) Share based payments

Share based compensation benefits are provided to employees via the AtCor Medical Holdings Employee Share Option Plan (ESOP). Information relating to this scheme is set out in Note 30.

The fair value of options granted under the AtCor Medical Holdings Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of directly attributable transaction costs are credited to share capital.

v) Termination benefits

Termination benefits may become payable to some employees in the event of termination prior to expiry of their contract or upon change of control of AtCor Medical Holdings Limited or a subsidiary. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of the employees entitled to termination benefits, or when a change of control of a member of the Group is virtually certain. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

v) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance sheet date.

w) Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

x) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included with other receivables or payables on the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, a tax authority are presented as operating cash flow.

y) Parent entity financial information

The financial information for the parent entity, AtCor Medical Holdings Limited, disclosed in Note 31, has been prepared on the same basis as the consolidated financial statements.

Tax consolidation legislation

AtCor Medical Holdings Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of July 1, 2005.

The head entity, AtCor Medical Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of AtCor Medical Holdings Limited, less impairment losses.

z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. There will be no impact on the group's accounting for financial assets or liabilities, as the new requirements only affect the accounting for financial assets and liabilities that are designated at fair value through profit or loss and the group does not have any such items in the current reporting period. The group will not be adopting AASB 9 early.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 2 – FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (primarily currency 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 and foreign exchange risk and aging analysis for credit risk.

Financial risk management is carried out by the Chief Financial Officer (CFO) and overseen by the Audit & Risk Committee, a subcommittee of the Board of Directors.

a) Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US Dollar and the Euro Dollar.

The Group's exposure to foreign currency exchange risk at the reporting date was as follows:

	30 June 2014		30 June 2013	
	in USD	in EUR	in USD	in EUR
Trade receivables	824,176	308,057	1,621,836	163,566
Financial assets	1,330,105	277,217	1,845,184	160,781
Trade payables	(233,838)	(34,479)	(117,478)	(25,294)

Sensitivity

Based on the financial instruments held at 30 June 2014, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's pre-tax result for the year would have varied by \$226,383/(\$203,745) (2013: \$407,079/(\$366,370)). Had the Australian dollar weakened/strengthened by 10% against the Euro with all other variables held constant, the Group's pre-tax result for the year would have varied by \$88,879/(\$79,992) (2013: \$48,705/(\$43,835)).

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has no significant concentrations of credit risk. For banks and financial institutions, only independently rated and reputable parties are accepted. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Terms of trade provided to creditworthy customers are between 30 and 90 days, whilst customers deemed higher risk arrange a letter of credit or prepay for goods.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities approximates their carrying values.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The financial report is prepared on the basis that the Group will continue as a going concern. The cash flow projection and other consideration made by the directors in these circumstances involve estimates and judgements of future cash flow that are believed to be reasonable.

The investment in subsidiaries recorded in the parent entity is based on discounted cash flow calculations that incorporate judgements and estimates of future earnings that are believed to be reasonable.

NOTE 4 – SEGMENT INFORMATION

a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board considers the business from a geographical perspective and has identified three reportable segments, which are by geographic area.

Geographic areas are:

- Americas (includes global pharmaceutical trials business)
- Europe (includes Middle East and Africa)
- Asia Pacific (includes Asia and Australia/NZ)

b) Segmental information provided to the Board

	Americas \$	Europe \$	Asia Pacific \$	Inter-segment eliminations/ unallocated \$	Consolidated \$
2014					
Sales to external customers	3,302,997	1,004,230	746,057	–	5,053,284
Intersegment sales	–	–	1,384,528	(1,384,528)	–
Total sales revenue	3,302,997	1,004,230	2,130,585	(1,384,528)	5,053,284
Other revenue/income	12,305	–	490,449	–	502,754
Total segment revenue/income	3,315,302	1,004,230	2,621,034	(1,384,528)	5,556,038
Segment result	424,811	132,664	(3,143,321)	–	(2,585,846)
Unallocated revenue less unallocated expenses					(77,662)
Loss before income tax					(2,663,508)
Income tax expense					–
Loss for the year					(2,663,508)

2013

Sales to external customers	7,615,774	780,603	659,344	–	9,055,721
Intersegment sales	–	–	2,406,556	(2,406,556)	–
Total sales revenue	7,615,774	780,603	3,065,900	(2,406,556)	9,055,721
Other revenue/income	3,674	–	1,720,403	–	1,724,077
Total segment revenue/income	7,619,448	780,603	4,786,303	(2,406,556)	10,779,798
Segment result	3,764,465	49,751	(1,594,132)	–	2,220,084
Unallocated revenue less unallocated expenses					513,939
Profit before income tax					2,734,023
Income tax expense					–
Profit for the year					2,734,023

c) Notes to and forming part of the segment information

Inter segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an “arm’s-length” basis and are eliminated on consolidation.

Segment revenue

Revenues of approximately \$1,643,003 (2013: \$5,292,000) were derived from two customers. These revenues are attributable to the Americas operating segment.

NOTE 5 – REVENUE

	Consolidated	
	2014	2013
	\$	\$
From continuing operations		
Sales revenue		
Sale of goods	3,928,094	7,754,219
Sale of services	1,125,190	1,301,502
	5,053,284	9,055,721
Other revenue		
Interest	8,081	1,161
	5,061,365	9,056,882

NOTE 6 – OTHER INCOME

	Consolidated	
	2014	2013
	\$	\$
Government grants (Note (a))	75,118	512,176
R&D tax concession (Note(b))	410,756	696,786
Foreign exchange gains	–	510,265
Others	16,880	3,689
	502,754	1,722,916

a) Government grants

Commercialisation Australia grants of \$75,118 (2013: \$512,176) were recognised as other income by the Group during the financial year. There are no unfulfilled conditions or other contingencies attaching to these grants.

b) R&D tax concession

A refund of \$410,756 was received from the Australian Tax Office under the R&D tax concession program in 2014 (2013: \$696,786).

NOTE 7 – EXPENSES

	Consolidated	
	2014	2013
	\$	\$
Loss before income tax includes the following specific expenses:		
Depreciation on plant and equipment	98,503	151,424
Amortisation of patents and trademarks	–	27,041
	98,503	178,465
Employee benefit expense	5,030,171	4,738,482
Rental expense relating to operating leases	154,511	141,458
Research and development	1,023,552	1,149,722

NOTE 8 – INCOME TAX EXPENSE

a) Income tax expense

The income tax expense for the financial year differs from the amount calculated on the profit/(loss). The differences are reconciled as follows:

	Consolidated	
	2014 \$	2013 \$
Profit/(loss) from continuing operations before income tax expense	(2,663,508)	2,734,023
Tax at the Australian tax rate of 30% (2013: 30%)	(799,052)	820,207
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payment	67,138	59,123
Amortisation of intangibles	–	8,112
Sundry items	484	515
	(731,430)	887,957
Differences in overseas tax rates	181,393	(26,144)
Net adjustment for R&D tax concession	136,851	255,488
Benefit of tax losses and temporary differences not recognised	413,186	–
Previously unrecognised tax losses now recouped to reduce current tax expense	–	(1,117,301)
Income tax expense	–	–

(b) Tax losses

	Consolidated	
	2014 \$	2013 \$
Unused tax losses for which no deferred tax asset has been recognised:	25,106,987	23,221,160
Potential tax benefit*	7,532,096	6,966,348

* Tax rate varies between different jurisdictions where the Group has operations (Australia and USA)

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

c) Tax consolidation legislation

AtCor Medical Holdings Limited and its wholly owned Australian controlled entities are consolidated for income tax purposes. The accounting policy in relation to this legislation is set out in Note 1(i).

As at the date of this report the entities in the tax consolidation group had not entered into a tax sharing agreement. No compensation has been received or paid for any current tax payable or deferred tax assets relating to tax losses assumed by the parent entity since implementation of the tax consolidation regime.

NOTE 9 – CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2014	2013
	\$	\$
Cash at bank and on hand	2,168,156	2,874,209
	2,168,156	2,874,209

a) Cash at bank and on hand

These are a combination of non-interest bearing and interest bearing at floating interest rates between 0.0% and 0.5% (2013: 0.0% and 0.5%).

NOTE 10 – CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014	2013
	\$	\$
Trade receivables	1,564,068	2,726,326
Less: Provision for doubtful debts (a)	(52,637)	(57,819)
	1,511,431	2,668,507
Other receivables	36,281	–
	1,547,712	2,668,507

a) Impaired trade receivables

As at 30 June 2014 current trade receivables of the Group with a nominal value of \$52,637 (2013: \$57,819) were impaired. The amount of the provision was \$52,637 (2013: \$57,819).

	Consolidated	
	2014	2013
	\$	\$
At 1 July	57,819	69,230
Provision for impairment recognised during the year	13,943	–
Receivables written off during the year as uncollectible	(19,125)	(11,411)
	52,637	57,819

The creation and release of the provision for impaired receivables has been included in 'marketing and sales expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

b) Past due but not impaired

As of 30 June 2014, trade receivables of \$267,689 (2013: \$166,213) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2014 \$	2013 \$
0 – 30 days	210,845	82,992
30 – 60 days	19,030	24,006
> 60 days	37,814	59,215
	267,689	166,213

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 received when due.

c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

d) Fair value, foreign exchange and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the risk management policy of the Group, the credit quality and foreign currency risk of the Group's trade receivables.

NOTE 11 – CURRENT ASSETS – INVENTORIES

	Consolidated	
	2014 \$	2013 \$
Raw materials and stores – at cost	452,379	277,099
Finished goods at cost	85,160	48,695
	537,539	325,794

Inventories recognised as expense during the year ended 30 June 2014 amounted to \$437,449 (2013: \$750,371). A charge of \$nil was taken to write-off obsolete inventories in the year ended 30 June 2014 (2013: \$10,789).

NOTE 12 – CURRENT ASSETS – OTHER

	Consolidated	
	2014 \$	2013 \$
Prepayments	75,980	117,605
Other	22,307	38,711
	98,287	156,316

NOTE 13 – NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Manufacturing plant and equipment \$	Furniture, fittings and equipment \$	Devices leased to customers \$	Total \$
At 1 July 2012				
Cost	481,450	658,523	123,068	1,263,041
Accumulated depreciation	(208,306)	(553,313)	(78,629)	(840,248)
Net book amount	273,144	105,210	44,439	422,793
Year ended 30 June 2013				
Opening net book amount	273,144	105,210	44,439	422,793
Additions	918	57,133	10,775	68,826
Exchange differences	–	9,439	547	9,986
Depreciation charge	(57,646)	(49,339)	(44,439)	(151,424)
Closing net book amount	216,416	122,443	11,322	350,181
At 30 June 2013				
Cost	482,368	725,095	92,490	1,299,953
Accumulated depreciation	(265,952)	(602,652)	(81,168)	(949,772)
Net book amount	216,416	122,443	11,322	350,181
Year ended 30 June 2014				
Opening net book amount	216,416	122,443	11,322	350,181
Additions	13,732	30,677	–	44,409
Exchange differences	–	(16,606)	95	(16,511)
Depreciation charge	(47,768)	(49,599)	(1,136)	(98,503)
Closing net book amount	182,380	86,915	10,281	279,576
At 30 June 2014				
Cost	496,100	739,166	92,585	1,327,851
Accumulated depreciation	(313,720)	(652,251)	(82,304)	(1,048,275)
Net book amount	182,380	86,915	10,281	279,576

NOTE 14 – CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2014 \$	2013 \$
Trade payables	433,988	240,599
Other payables	781,585	1,154,438
	1,215,573	1,395,037

NOTE 15 – CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2014 \$	2013 \$
Current employee benefits – long service leave	110,728	40,107

NOTE 16 – NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2014 \$	2013 \$
Employee benefits – long service leave	21,022	60,930

NOTE 17 – CONTRIBUTED EQUITY**a) Share capital**

	2014 No. of shares	2013 No. of shares	2014 \$	2013 \$
Fully paid ordinary shares	157,440,279	150,765,279	32,850,570	32,109,909

(b) Movements in ordinary share capital

Date	Details	No. of shares	Issue price \$	Total \$
30 June 2012	Opening balance	147,815,279		31,954,152
9 August 2012	Share placement	2,950,000	\$0.06	177,000
	Less: transaction fees on share placement			(21,243)
30 June 2013	Closing balance	150,765,279		32,109,909
22 August 2013	Shares issued on exercise of options	1,000,000	\$0.12	120,000
30 September 2013	Shares issued on exercise of options	1,000,000	\$0.091	91,000
30 October 2013	Shares issued on exercise of options	271,000	\$0.13	35,230
30 October 2013	Shares issued on exercise of options	500,000	\$0.091	45,500
4 November 2013	Shares issued on exercise of options	2,664,000	\$0.13	346,320
4 November 2013	Shares issued on exercise of options	175,000	\$0.075	13,125
4 November 2013	Shares issued on exercise of options	25,000	\$0.098	2,450
3 December 2013	Shares issued on exercise of options	500,000	\$0.091	45,500
3 December 2013	Shares issued on exercise of options	460,000	\$0.08	36,800
8 January 2014	Shares issued on exercise of options	80,000	\$0.08	6,400
	Less: listing fees			(1,664)
30 June 2014	Closing balance	157,440,279		32,850,570

c) 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.

d) Employee Share Option Plan

Information relating to the AtCor Medical Holdings Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 30.

NOTE 18 – RESERVES AND ACCUMULATED LOSSES**a) Reserves**

	Consolidated	
	2014 \$	2013 \$
Share-based payments reserve	1,529,732	1,305,939
Foreign currency translation reserve	419,540	315,472
	1,949,272	1,621,411

MOVEMENTS**Share-based payments reserve**

Balance 1 July	1,305,939	1,108,863
Option expense	223,793	197,076
Balance 30 June	1,529,732	1,305,939

Foreign currency translation reserve

Balance 1 July	315,472	407,815
Currency translation differences arising through the year	104,068	(92,343)
Balance 30 June	419,540	315,472

b) Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated	
	2014 \$	2013 \$
Balance 1 July	(28,852,387)	(31,586,410)
Net profit/(loss) for the year	(2,663,508)	2,734,023
Balance 30 June	(31,515,895)	(28,852,387)

c) Nature and purpose of reserves**Share-based payments reserve**

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

NOTE 19 – DIVIDENDS

No dividends were paid or declared since 30 June 2014 and the directors do not recommend the payment of a dividend. There are no franking credits as at 30 June 2014 (2013: Nil).

NOTE 20 – KEY MANAGEMENT PERSONNEL DISCLOSURES**a) Key management personnel compensation**

	Consolidated	
	2014 \$	2013 \$
Short-term employee benefits	1,431,002	1,546,025
Long-term benefits	11,891	7,751
Post-employment benefits	63,310	54,502
Share-based payments	149,832	99,450
	1,656,035	1,707,728

The company has taken advantage of the relief provided by Corporations Regulations and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in the remuneration report section of the Directors' Report.

b) Equity instrument disclosures relating to key management personnel**i) Options provided as remuneration and shares issued on exercise of such options**

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report section of the Directors' Report.

ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of AtCor Medical Holdings Ltd and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
2014						
Directors of AtCor Medical Holdings Ltd						
D. O'Dwyer (Chairman)	400,000	–	–	(400,000)	–	–
D. R. Ross (CEO)	5,400,000	2,100,000	(1,500,000)	–	6,000,000	2,133,334
M. F. O'Rourke	200,000	–	–	(200,000)	–	–
P. R. Jenkins	200,000	–	–	(200,000)	–	–
D. L. Brookes	200,000	–	–	(200,000)	–	–
Other key management personnel of the Group						
P. Manley	1,375,000	500,000	(325,000)	–	1,550,000	700,000
D. Kurschinski	2,775,000	725,000	(725,000)	–	2,775,000	1,216,667
M. Harding	1,650,000	300,000	(300,000)	–	1,650,000	966,667

iii) Share holdings

The numbers of shares in the company held during the financial year by each director of AtCor Medical Holdings Ltd and other key management personnel of the Group, including their close family members, are set out below. (Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity).

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
2014				
Directors of AtCor Medical Holdings Ltd				
Ordinary shares				
D. O'Dwyer (Chairman)	4,117,322	—	—	4,117,322
D. R. Ross (CEO)	2,103,052	1,500,000	(1,500,000)	2,103,052
M. F. O'Rourke	10,411,396	—	(100,000)	10,311,396
P. R. Jenkins	1,209,394	—	—	1,209,394
D. L. Brookes	908,257	—	—	908,257

Other key management personnel of the Group

Ordinary shares				
P. Manley	383,334	325,000	(100,000)	608,334
D. Kurschinski	408,522	725,000	(975,000)	158,522
M. Harding	480,000	300,000	(102,631)	677,369

c) Other transactions with key management personnel

A director, M. F. O'Rourke, provided consulting services to the Group as a medical advisor until 31 August 2012, for which he received a monthly retainer. This agreement was based on normal commercial terms and conditions. The amount paid for the year ended 30 June 2014 is \$nil (2013: \$29,659).

Aggregate amounts of each of the above types of other transactions with key management personnel of AtCor Medical Holdings Limited:

	2014 \$	2013 \$
Amounts recognised as expense		
Consulting fees	—	29,659
	—	29,659

No amounts are payable to key management personnel of the Group at 30 June 2014 (30 June 2013: Nil):

	2014 \$	2013 \$
Current liabilities	—	—

NOTE 21 – REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2014 \$	2013 \$
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	116,028	113,400
Other assurance services		
PricewaterhouseCoopers Australian firm		
Audit of Commercialisation Australia grant	8,500	8,000
Total remuneration for assurance services	124,528	121,400

NOTE 22 – CONTINGENCIES

a) Contingent liabilities

No contingent liabilities exist at this time.

b) Contingent assets

No contingent assets exist at this time.

NOTE 23 – COMMITMENTS

a) Lease commitments: Group as lessee

	Consolidated	
	2014 \$	2013 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	102,809	95,915
Later than one year but not later than five years	95,203	195,363
More than five years	–	–
	198,012	291,278

NOTE 24 – RELATED PARTY TRANSACTIONS

a) Parent entity

The parent entity within the Group is AtCor Medical Holdings Limited. The ultimate Australian parent entity is AtCor Medical Holdings Limited.

b) Subsidiaries

Interests in subsidiaries are set out in Note 25.

c) Key management personnel

Disclosures relating to key management personnel are set out in Note 20 and in the remuneration report within the Directors' Report.

NOTE 25 – SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(d):

Name of entity	Country of incorporation	Class of shares	Equity holding*	
			2014 %	2013 %
AtCor Medical Pty Limited	Australia	Ordinary	100%	100%
AtCor Medical Inc.	USA	Ordinary	100%	100%
AtCor Medical UK Limited	United Kingdom	Ordinary	100%	100%

* The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 26 – ECONOMIC DEPENDENCY

The Group depends upon single suppliers of some key components for its SphygmoCor device due to manufacturing specifications requiring these particular components.

NOTE 27 – EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in the future financial years, or
- (c) the Group's state of affairs in future financial years.

NOTE 28 – RECONCILIATION OF (LOSS)/PROFIT AFTER INCOME TAX TO NET CASHFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2014 \$	2013 \$
(Loss)/profit for the year	(2,663,508)	2,734,023
Depreciation and amortisation	98,503	178,465
Non-cash employee benefits expense share based payments	223,793	197,076
Unrealised exchange difference	158,936	4,361
Change in operating assets and liabilities:		
Decrease /(increase) in trade and other receivables	1,120,795	(738,170)
(Increase)/decrease in inventories	(211,745)	216,320
Decrease /(increase) in other operating assets	58,029	(14,149)
(Decrease) in trade and other payables	(179,464)	(824,081)
Increase in other provisions	30,713	22,817
Net cash (outflow)/inflow from operating activities	(1,363,948)	1,776,662

NOTE 29 – EARNINGS PER SHARE

a) Earnings per share

	Consolidated	
	2014 cents	2013 cents
Basic earnings per share	(1.7)	1.8
Diluted earnings per share	(1.7)	1.8

b) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2014 cents	2013 cents
Basic earnings per share		
(Loss)/profit from continuing operations	(2,663,508)	2,734,023
Diluted earnings per share		
(Loss)/profit from continuing operations attributable to the ordinary equity holders of the company used in calculating earnings per share	(2,663,508)	2,734,023

c) Weighted average number of shares used as the denominator

	Consolidated	
	2014 No. of shares	2013 No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	155,336,416	150,450,074
Adjustments for calculation of diluted earnings per share:		
Options	—	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	155,336,416	150,450,074

d) Information concerning the classification of securities

i) Options

Options granted to employees under the AtCor Medical Holdings Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 30.

No options granted are included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2014.

NOTE 30 – SHARE-BASED PAYMENTS

a) Employee Share Option Plan (ESOP)

The AtCor Medical Holdings Employee Option Plan was approved by shareholders at the 2005 annual general meeting and amendments were approved at the 2006 & 2008 annual general meetings. All staff are eligible to participate in the plan at the discretion of the directors (including executive directors) following recommendations from the remuneration committee, a sub-committee of the AtCor Medical Holdings Limited Board of Directors.

Options are granted under the plan for no consideration. Options are granted for a 5 year period, and 33.3% of each new tranche vests and is exercisable after each of the first 3 anniversaries of the date of grant.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into 1 ordinary share.

The exercise price of options is no less than the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the 5 trading days immediately before the options are granted.

Set out below are summaries of options granted under the plan:

							No. of shares	
Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Exercisable at end of the year
Consolidated – 2014								
22 Aug 2008	22 Aug 2013	\$0.120	1,000,000	–	(1,000,000)	–	–	–
4 Nov 2008	4 Nov 2013	\$0.130	2,935,000	–	(2,935,000)	–	–	–
20 Aug 2009	20 Aug 2014	\$0.165	400,000	–	–	–	400,000	400,000
21 Oct 2009	21 Oct 2013	\$0.215	1,000,000	–	–	(1,000,000)	–	–
18 Feb 2010	18 Feb 2015	\$0.164	625,000	–	–	–	625,000	625,000
1 Mar 2010	1 Mar 2015	\$0.164	150,000	–	–	–	150,000	150,000
17 Feb 2011	17 Feb 2016	\$0.120	1,785,000	–	–	–	1,785,000	1,785,000
21 Oct 2011	21 Oct 2016	\$0.084	2,500,000	–	–	–	2,500,000	166,667
16 Feb 2012	16 Feb 2017	\$0.098	2,215,000	–	(25,000)	(10,000)	2,180,000	1,424,998
23 Aug 2012	23 Aug 2017	\$0.075	3,700,000	–	(75,000)	–	3,625,000	1,154,173
5 Oct 2012	5 Oct 2017	\$0.075	400,000	–	(100,000)	–	300,000	33,334
26 Oct 2012	26 Oct 2017	\$0.084	1,400,000	–	–	–	1,400,000	466,667
19 Nov 2012	19 Nov 2017	\$0.085	125,000	–	–	–	125,000	41,667
13 Dec 2012	13 Dec 2017	\$0.077	350,000	–	–	(350,000)	–	–
29 Aug 2013	29 Aug 2018	\$0.139	–	3,215,000	–	–	3,215,000	–
31 Oct 2013	31 Oct 2018	\$0.181	–	2,100,000	–	–	2,100,000	–
Total			18,585,000	5,315,000	(4,135,000)	(1,360,000)	18,405,000	6,247,506
Weighted average exercise price			\$0.11	\$0.16	\$0.13	\$0.18	\$0.11	
Consolidated – 2013								
22 Aug 2007	22 Aug 2012	\$0.150	1,675,000	–	–	(1,675,000)	–	–
14 Nov 2007	14 Nov 2012	\$0.150	1,000,000	–	–	(1,000,000)	–	–
22 Aug 2008	22 Aug 2013	\$0.120	1,000,000	–	–	–	1,000,000	1,000,000
4 Nov 2008	4 Nov 2013	\$0.130	3,020,000	–	–	(85,000)	2,935,000	2,935,000
20 Aug 2009	20 Aug 2014	\$0.165	400,000	–	–	–	400,000	400,000
21 Oct 2009	21 Oct 2013	\$0.215	1,000,000	–	–	–	1,000,000	1,000,000
18 Feb 2010	18 Feb 2015	\$0.164	625,000	–	–	–	625,000	625,000
1 Mar 2010	1 Mar 2015	\$0.164	150,000	–	–	–	150,000	150,000
17 Feb 2011	17 Feb 2016	\$0.120	1,895,000	–	–	(110,000)	1,785,000	1,190,000
21 Oct 2011	21 Oct 2016	\$0.084	2,500,000	–	–	–	2,500,000	833,334
16 Feb 2012	16 Feb 2017	\$0.098	2,265,000	–	–	(50,000)	2,215,000	738,339
23 Aug 2012	23 Aug 2017	\$0.075	–	3,717,500	–	(17,500)	3,700,000	–
5 Oct 2012	5 Oct 2017	\$0.075	–	400,000	–	–	400,000	–
26 Oct 2012	26 Oct 2017	\$0.084	–	1,400,000	–	–	1,400,000	–
19 Nov 2012	19 Nov 2017	\$0.085	–	125,000	–	–	125,000	–
13 Dec 2012	13 Dec 2017	\$0.077	–	350,000	–	–	350,000	–
Total			15,530,000	5,992,500	–	(2,937,500)	18,585,000	8,871,673
Weighted average exercise price			\$0.13	\$0.08	–	\$0.15	\$0.11	

360,000 options were forfeited during 2014 (2013: 177,500) and 1,000,000 options expired (2013: 2,675,000) in the same period whilst 4,135,000 options were exercised (2013: nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.0 years (2013: 2.7 years).

2,540,000 options were exercised by Taycol Nominees Pty Limited and their employees during FY2014. The options were issued in earlier years as part remuneration for capital raisings. The options had exercise prices of between \$0.08 and \$0.091.

Fair value of options granted

The weighted average assessed fair value at grant date of options granted during the year ended 2014 was 2.5 cents per option (2013: 2.6 cents). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2014 included:

- (a) options are granted for no consideration, have a five year life, and 33.3% of each tranche vests and is exercisable after each of the first three anniversaries of the date of grant
- (b) ave exercise price: \$0.16 (2013: \$0.08)
- (c) expiry date: 5 years from grant date (2013: 5 years from grant date)
- (d) Ave share price at grant date: \$0.13 (2013: \$0.07)
- (e) expected price volatility of the company's shares: 60% (2013: 60%)
- (f) expected dividend yield: nil% (2013: nil%)
- (g) risk free interest rate: 3.0% (2013: 3.20%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

b) Expenses arising from share-based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2014 \$	2013 \$
Options issued under employee option plan	223,793	164,786

NOTE 31 – PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2014 \$	2013 \$
Balance sheet		
Current assets	442,588	23,320,601
Total assets	39,177,940	43,452,601
Current liabilities	522,643	10,598,012
Total liabilities	11,119,930	10,598,012
Shareholders equity		
Issued capital	39,307,860	38,567,199
Reserves – Share based payments	1,529,732	1,305,939
Accumulated losses	(12,779,582)	(7,018,549)
	28,058,010	32,854,589
Loss for the year	(5,761,033)	(1,024,078)
Total comprehensive income/(loss)	(5,761,033)	(1,024,078)

b) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity during 2014 or 2013.

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

d) Contractual commitments

The parent entity has no contractual commitments as at the date of this report.

DIRECTOR'S DECLARATION

For the year ended 30 June 2014

In the directors' opinion:

- (a) the financial statements and notes set out on pages 24 to 50 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



D O'Dwyer, Director
Sydney

28 August 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



Independent auditor's report to the members of AtCor Medical Holdings Limited

Report on the financial report

We have audited the accompanying financial report of AtCor Medical Holdings Limited (the company), which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for AtCor Medical Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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 is free from material misstatement, whether due to fraud or error. In Note 1(a), 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 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 consolidated entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
 Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
 T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

- (a) the financial report of AtCor Medical Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 18 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of AtCor Medical Holdings Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


M W Chiang
Partner

Sydney
28 August 2014

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 3 September 2014.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity holders by size of holding:

	Holdings distribution	
	No. of holders	Securities
1 to 1,000	44	5,990
1,001 to 5,000	141	544,324
5,001 to 10,000	172	1,495,550
10,001 to 100,000	759	31,023,121
100,001 and Over	205	124,371,294
Total	1,321	157,440,279

There were 187 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

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

	No. of shares	%
CB Co Pty Ltd <The Curran Superannuation Fund>	22,332,347	14.18%
Pehila Pty Ltd <O'Rourke Super Fund A/c>	10,311,396	6.55%
HSBC Custody Nominees (Australia) Limited	7,092,157	4.50%
J P Morgan Nominees Australia Limited	4,838,673	3.07%
Dr Russell Kay Hancock	3,500,001	2.22%
Mr Donal O'Dwyer & Mrs Judith O'Dwyer <Dundrum Super Fund>	2,818,986	1.79%
Barrijag Pty Ltd <The Hadley S/F A/c>	2,000,000	1.27%
Richard Ewan Mews	1,900,000	1.21%
Redbrook Nominees Pty Ltd	1,850,000	1.18%
Mr Pawel Rej & Mrs Mirosława Rej	1,760,901	1.12%
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/c>	1,484,078	0.94%
Mr Duncan Richardson Ross & Ms Carol Harvey Ross	1,416,667	0.90%
Barrijag Pty Ltd <The Hadley Super Fund A/c>	1,381,250	0.88%
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/c>	1,341,058	0.85%
Garrett Smythe Ltd	1,340,000	0.85%
Five Talents Limited	1,300,000	0.83%
Mrs Susan Hadley	1,300,000	0.83%
Dundrum Investments Pty Ltd <O'Dwyer Family A/c>	1,298,336	0.82%
Uob Kay Hian Private Limited <Clients A/c>	1,250,513	0.79%
Drumnadrochit Futures Pty Ltd	1,250,001	0.79%
Peter Raymond Jenkins	1,209,394	0.77%
	72,975,758	46.35%

Unquoted equity securities

	No. on issue	No. of holders
Options issued under the AtCor Medical Holdings Employee Share Option Plan to take up ordinary shares	17,495,000	18
Other unquoted options to take up ordinary shares	1,970,000	3
	19,465,000	21

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	No. of shares held	Percentage of issued shares
CB Co Pty Ltd <The Curran Superannuation Fund>	22,332,347	14.18%
Pehila Pty Ltd <O'Rourke Super Fund A/c>	10,311,396	6.55%

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b) Options

No voting rights.

DIRECTORS

Mr Donal O'Dwyer, Non-Executive Chairman (BEng, MBA)

Mr Duncan Ross, CEO and Managing Director (BS)

Dr Michael O'Rourke, Non-Executive Director (MD, DSc)

Mr Peter Jenkins, Non-Executive Director (DSc (honorary))

Dr David Brookes, Non-Executive Director (MBBS FACRRM)

SECRETARY

Mr Peter Manley, CFO and Company Secretary (BBus, CPA, ACIS)

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Suite 11, 1059 – 1063 Victoria Road
West Ryde NSW 2114

SHARE AND DEBENTURE REGISTER

Link Market Services Ltd
Level 12, 680 George Street
PO Box 20013
World Square NSW 2000

AUDITOR

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
GPO Box 2650
Sydney NSW 1171

SOLICITORS

Dibbs Barker
Level 8, 123 Pitt Street
GPO Box 983
Sydney NSW 2001

STOCK EXCHANGE LISTINGS

AtCor Medical Holdings Limited shares are listed on the Australian Stock Exchange under ASX code ACG.