Appendix 4D – Half Year Report

LifeHealthcare Group Limited

(ABN 72 166 525 186)

For the half year ended 31 December 2014

(Previous corresponding period for Revenue and Profit is 31 December 2013 and the previous corresponding period for Net Tangible Assets is 30 June 2014)

Results for announcement to the market

Revenue and Profit	Up or down	Movement		$'000
Revenue from ordinary activities	Up	15.0%	to	$48,449
Profit from ordinary activities, after tax, attributable to securityholders	Down (*)	74.9%	to	$4,183
Net profit for the period attributable to securityholders	Down (*)	74.9%	to	$4,183

(*) Based on pro forma result for 31 December 2013 (excluding IPO related items) profit after tax is up 28.6%.

Dividends	
Interim dividend	A dividend of 7.5 cents per security was declared on February 25, 2014. The dividend will be franked to 76% (5.7 cents per security). (Prior corresponding period: $Nil)
Record date for determining entitlement to the dividend	5 March 2015
Approximate dividend payment date	20 March 2015
No dividend reinvestment plan was in operation during or since the half-year.	

Net Tangible Asset (NTA) backing	31 Dec 2014	30 June 2014
Net tangible assets per security (cents)	79c	72c

LifeHealthcare Group Limited

ABN 72 166 525 186

Interim Financial Statements

For the half-year ended 31 December 2014

LifeHealthcare Group Limited
ABN 72 166 525 186

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For the half-year ended 31 December 2014

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by LifeHealthcare Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report
31 December 2014

Your directors present their report on the consolidated entity consisting of LifeHealthcare Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Information on directors

The names of each person who has been a director during the half-year and to the date of this report are:
Bill Best
Daren McKennay
John Hickey
Donna Staunton
Michael Alscher

Review of operations

LifeHealthcare is a specialised distributor of high end medical devices in Australia and New Zealand. Revenue for the six months to 31 December 2014 was 15.0% higher than the revenue for the FY14 comparable period as a result of growth across both implantable devices and capital equipment.

Growth in implantable devices has been achieved through an increase in the number of surgeons using LifeHealthcare's implants and increasing penetration of its products amongst both new and existing surgeons. This has been supported by a number of new product introductions and recruitment of further experienced sales staff.

Capital equipment products also experienced strong growth across the product portfolio in the Cardiac Ultrasound, Operating Room Capital and Neurophysiology channels. The new Affiniti Ultrasound machine was launched in October 2014 driving growth in Cardiac Ultrasound and an additional Mazor Renaissance Robotic System was installed in Victoria in December 2014, building on the momentum of the first installation in New South Wales in FY14.

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

	2014 $'000	2013 $'000
Revenues	48,449	42,139
EBITDA	**8,460**	**2,719**
Depreciation	(1,422)	(1,241)
EBITA	**7,038**	**1,478**
Amortisation of specifically identifiable intangibles	(190)	(190)
Amortisation of intangibles	(151)	(151)
EBIT	**6,697**	**1,137**
Net interest	(791)	(878)
Tax (expense)/benefit	(1,723)	16,401
NPAT	**4,183**	**16,660**
NPATA*	**4,316**	**16,793**

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

Directors' Report

31 December 2014

Significant gains and expenses

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

	31 December 2014 $'000	31 December 2013 $'000
Gains		
Income tax credit	-	16,401
Expenses		
Transaction related expenses	-	4,357

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2014 has been received and can be found on page 3 of the financial report.

ASIC class order 98/100 rounding of amounts

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

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

Daren McKennay
Director

Dated 25 February 2015

pwc

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of LifeHealthcare Group Limited and Controlled Entities

As lead auditor for the audit of LifeHealthcare Group Limited for the half year ended 31 December 2015, 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 LifeHealthcare Group Limited and the entities it controlled during the period.

S.T.Maher

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
25 February 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2014

	Note	31 December 2014 $'000	31 December 2013 $'000
Revenue		**48,449**	42,139
Changes in inventories of finished goods and work in progress		**(20,649)**	(18,846)
Employee benefits expense		**(12,788)**	(10,472)
Depreciation and amortisation expense		**(1,763)**	(1,582)
Director fees		**(163)**	(121)
Distribution expenses		**(1,017)**	(830)
Travel expenses		**(1,243)**	(1,209)
Marketing and advertising expenses		**(1,068)**	(671)
Motor vehicle expenses		**(124)**	(108)
Occupancy expenses		**(769)**	(744)
Telecommunications expense		**(129)**	(144)
Transaction related expenses		-	(4,357)
Other expenses		**(2,017)**	(1,854)
Finance costs		**(791)**	(878)
Share of loss from interest in joint venture		**(22)**	(64)
Profit before income taxes		**5,906**	259
Income tax (expense)/credit	5	**(1,723)**	16,401
Profit for the half-year		**4,183**	16,660
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		**(3)**	374
Fair value movements on the effective portion of cash flow hedges		**1,478**	130
		1,475	504
Total comprehensive income for the half-year		**5,658**	17,164
Profit attributable to:			
Members of the parent entity		**4,183**	16,660
Total comprehensive income attributable to:			
Members of the parent entity		**5,658**	17,164
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)		**9.8**	39.2
Diluted earnings per share (cents)		**9.6**	38.3

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

Interim Consolidated Balance Sheet
As at 31 December 2014

	Note	31 December 2014 $'000	30 June 2014 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**842**	2,805
Trade and other receivables		**12,988**	14,251
Inventories		**28,367**	27,470
Other financial assets		**1,748**	-
TOTAL CURRENT ASSETS		**43,945**	44,526
NON-CURRENT ASSETS			
Investment in joint ventures		**369**	367
Property, plant and equipment	7	**9,508**	8,444
Deferred tax assets		**15,001**	17,229
Intangible assets		**12,714**	13,038
TOTAL NON-CURRENT ASSETS		**37,592**	39,078
TOTAL ASSETS		**81,537**	83,604
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**11,849**	13,947
Borrowings	8	**-**	2,291
Current tax liabilities		**48**	81
Provisions		**1,297**	1,161
Other financial liabilities		**-**	745
TOTAL CURRENT LIABILITIES		**13,194**	18,225
NON-CURRENT LIABILITIES			
Borrowings	8	**20,825**	20,777
Long-term provisions		**834**	611
Other financial liabilities		**450**	327
TOTAL NON-CURRENT LIABILITIES		**22,109**	21,715
TOTAL LIABILITIES		**35,303**	39,940
NET ASSETS		**46,234**	43,664
EQUITY			
Contributed equity		**26,173**	26,173
Reserves		**1,440**	(135)
Retained earnings		**18,621**	17,626
TOTAL EQUITY		**46,234**	43,664

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

Interim Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2014

	Ordinary Shares $'000	Retained Earnings $'000	Foreign Currency Translation Reserve $'000	Share-Based Payment Reserve $'000	Hedge Reserve $'000	Total $'000
Balance at 1 July 2014	26,173	17,626	188	387	(710)	43,664
Profit for the half-year	-	4,183	-	-	-	4,183
Total other comprehensive income for the period	-	-	(3)	-	1,478	1,475
Transactions with owners in their capacity as owners						
Dividends provided for or paid	-	(3,188)	-	-	-	(3,188)
Share based payment transactions	-	-	-	100	-	100
Balance at 31 December 2014	26,173	18,621	185	487	768	46,234

	Ordinary Shares $'000	Retained Earnings $'000	Foreign Currency Translation Reserve $'000	Share-Based Payment Reserve $'000	Hedge Reserve $'000	Total $'000
Balance at 1 July 2013	12,205	6,409	-	119	484	19,217
Profit for the half-year	-	16,660	-	-	-	16,660
Total other comprehensive income for the period	-	-	374	-	130	504
Transactions with owners in their capacity as owners						
Contribution of equity	13,956	-	-	-	-	13,956
Dividends provided for or paid	-	(9,300)	-	-	-	(9,300)
Share based payment transactions	-	-	-	163	-	163
Balance at 31 December 2013	26,161	13,769	374	282	614	41,200

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

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

	31 December 2014 $'000	31 December 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	52,060	46,821
Payments to suppliers and employees	(45,014)	(42,540)
	7,046	4,281
Interest received	3	-
Interest paid	(791)	(878)
Income taxes paid	(130)	(2,146)
Net cash provided by operating activities	6,128	1,257
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2,493)	(1,470)
Payment for investments	(24)	(104)
Net cash used by investing activities	(2,517)	(1,574)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from IPO	-	76,596
Payments to shareholders	-	(62,674)
Proceeds from borrowings	-	24,621
Repayment of borrowings	(2,387)	(24,005)
IPO costs	-	(4,878)
Pre IPO dividend	-	(9,300)
Dividends paid	(3,188)	-
Net cash (used by)/provided by financing activities	(5,575)	360
Net (decrease)/increase in cash and cash equivalents held	(1,964)	43
Cash and cash equivalents at beginning of half-year	2,805	30
Cash and cash equivalents at end of the half-year	841	73

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

Notes to the Financial Statements

31 December 2014

1 Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ending 31 December 2014 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by LifeHealthcare Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2014.

The half-year financial statements were authorised for issuance by the Board of Directors on 25 February 2015.

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

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

New and amended standards that are applicable for the first time for the December 2014 half year report include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting '
- AASB 2013-5 'Amendments to Australian Accounting Standards - Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' - Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
    - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
    - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
    - Part C: 'Materiality'
- Interpretation 21 'Levies'

The adoption of these Accounting Standards and Interpretations did not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

2 Critical Accounting Estimates and Judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods. There have been no significant changes since 30 June 2014 in the bases upon which estimates have been determined.

Notes to the Financial Statements
31 December 2014

3 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 31 December 2014:

- Revenue for the six months to 31 December 2014 was 15.0% higher than the revenue for the FY14 comparable period as a result of growth across both implantable devices and capital equipment.
- Growth in implantable devices has been achieved through an increase in the number of surgeons using LifeHealthcare's implants and increasing penetration of its products amongst both new and existing surgeons. This has been supported by a number of new product introductions and recruitment of further experienced sales staff.
- Capital equipment products also experienced strong growth across the product portfolio in the Cardiac Ultrasound, Operating Room Capital and Neurophysiology channels. The new Affiniti Ultrasound machine was launched in October 2014 driving growth in Cardiac Ultrasound and an additional Mazor Renaissance Robotic System was installed in Victoria in December 2014, building on the momentum of the first installation in New South Wales in FY14.

4 Result for the Year

	31 December 2014 $'000	31 December 2013 $'000
Profit for the half-year includes the following items that are significant because of their nature, size or incidence:		
Gains		
Income tax credit	-	16,401
Expenses		
Initial Public Offering transaction related expenses	-	4,357

5 Income Tax Expense

Income tax is recognised based on management's estimate on the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the half-year to 31 December 2014 is 29%. The estimated average annual tax rate used for the half-year to 31 December 2013 was affected by the Initial Public Offering in FY14, from which, a new tax consolidated group was formed. The new tax consolidated group reset the tax cost base of inventories, resulting in a $55 million increase to its tax cost base. This was the difference between the existing tax cost of inventories and its market value. As a result, a deferred tax asset of $16.5 million was created.

6 Operating Segments

As disclosed in the 30 June 2014 annual report, the Group operates in one operating segment being the sale of Medical devices in Australia and New Zealand.

Notes to the Financial Statements
31 December 2014

7 Property, plant and equipment

	31 December 2014 $'000	30 June 2014 $'000
Plant and equipment		
At cost	**15,620**	13,481
Accumulated depreciation	**(6,375)**	(5,277)
Total plant and equipment	9,245	8,204
Furniture, fixtures and fittings		
At cost	**224**	224
Accumulated depreciation	**(163)**	(141)
Total furniture, fixtures and fittings	61	83
Leasehold Improvements		
At cost	**1,369**	1,207
Accumulated amortisation	**(1,167)**	(1,050)
Total leasehold improvements	202	157
Total plant and equipment	9,508	8,444

Movements in carrying amounts of property, plant and equipment

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

Consolidated	Plant and Equipment $'000	Furniture, Fixtures and Fittings $'000	Leasehold Improvements $'000	Total $'000
Half-year ended 31 December 2014				
Balance at the beginning of half-year	8,204	83	157	8,444
Additions	2,328	2	163	2,493
Disposals - written down value	(7)	-	-	(7)
Depreciation expense	(1,280)	(24)	(118)	(1,422)
Balance at the end of the half-year	9,245	61	202	9,508

Notes to the Financial Statements
31 December 2014

8 Borrowings

	31 December 2014 $'000	30 June 2014 $'000
CURRENT		
Secured liabilities:		
Bank loans*	-	2,291

	31 December 2014 $'000	30 June 2014 $'000
NON-CURRENT		
Secured liabilities:		
Bank loans*	20,825	20,777

* Includes borrowing costs capitalised

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

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

Lending facilities secured under a Multi-Option Facility Agreement:

- The Multi-Option Facility is repayable in October 2015. Components of the facility comprise bank guarantees, corporate credit cards, cash advance facility and a bank overdraft. The facility has a limit of $8,000,000 (30 June 2014: $8,000,000). At 31 December 2014, the facility was drawn to $725,091 for bank guarantees and corporate credit cards (30 June 2014: $3,146,698 for bank guarantees, corporate credit cards and a cash advance facility).

- A loan in the form of cash advance facility was drawn down under a Cash Advance Facility and is repayable at October 2017. This facility has a limit of $21,000,000 (30 June 2014: $21,000,000) which was drawn down to $21,000,000 at 31 December 2014 (30 June 2014: $21,000,000). Current liabilities include $nil (30 June 2014: $nil) and non-current liabilities include $21,000,000 (30 June 2014: $21,000,000).

9 Dividends

	31 December 2014 $'000	31 December 2013 $'000
Ordinary shares		
Dividends provided for or paid during the half-year	3,188	9,300

Notes to the Financial Statements
31 December 2014

10 Fair Value Measurement

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

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

Fair value hierarchy

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

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

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

31 December 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Assets				
Derivatives for hedging	-	1,748	-	1,748
	-	1,748	-	1,748
Liabilities				
Derivatives for hedging	-	450	-	450
Contingent consideration	-	-	35	35
	-	450	35	485

30 June 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Liabilities				
Derivatives for hedging	-	745	-	745
Contingent consideration	-	-	35	35
	-	745	35	780

The fair value of the $35,000 contingent consideration (level 3) has been determined by estimating the likelihood of achievement of certain sales milestones in relation to a business combination disclosed in the 2014 financial report. The amount remains undiscounted as it is expected to be paid in the next 12 months.

Notes to the Financial Statements
31 December 2014

10 Fair Value Measurement (Continued)

Transfers between levels of the hierarchy

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

Fair value measurements

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

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

11 Contingencies

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

(a) Guarantees

The Group has a bank guarantee at 31 December 2014 for the performance of certain office lease commitments to a maximum of $711,505 (30 June 2014: $711,505). This may be called upon by the bank on the next review of the facility agreement which is in October 2015.

(b) Investment in Electrocore (Aust) Pty Limited

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

At 31 December 2014, the Group has contributed cash of $715,529 (30 June 2014: $691,821).

12 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 13 are in accordance with the *Corporations Act 2001*, including:

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

   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.

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

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

Daren McKennay
Director

Dated 25 February 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of LifeHealthcare Group Limited (the Company), which comprises the balance sheet as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for LifeHealthcare Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of LifeHealthcare Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S.T. Maher

Shannon Maher
Partner

Sydney
25 February 2015