

**Preliminary Final Report
Appendix 4E
Results for announcement to the market**

Pulse Health Limited (ACN 104 113 760)

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX listing Rule 4.3A.

Current reporting period: Financial year ended 30 June 2016

Previous corresponding period: Financial year ended 30 June 2015

Results		Percentage change %	30 June 2016 \$'000	30 June 2015 \$'000
Revenue from continuing operations	UP	29%	72,384	56,268
Net profit after tax attributable to members	DOWN	>100%	(3,865)	2,547
Net profit after tax (underlying) *	UP	14%	4,645	4,092
Earnings per share - basic (cents)	DOWN	>100%	(1.82)	1.55
Earnings per share (underlying) - basic (cents)*	DOWN	-13%	2.18	2.50

Dividend information	Amount per security (cents)	Franked amount per security (cents)
Interim 2016 dividend per share (paid 1 April 2016)	0.3	0.3
No final dividend for 2016 declared	NIL	NIL

Key dates

Annual Report	31 August 2016	Annual General Meeting	30 November 2016
Dividend announcement date	-	Dividend payment & dispatch date	-
Ex-dividend date	-	Dividend record date	-
Last date for DRP election notices	-		

Audit

The results are based on the attached Annual Report which has been audited by BDO East Coast Partnership.

* Underlying earnings excludes non-recurring items and greenfield losses (Non AIFRS financial information, reviewed, not audited)

Overview of Financial Performance

I. Profit Summary

The reported revenue from continuing operations for the full year ended 30 June 2016 has increased by 29% to \$72.4m (FY15:\$56.3m), with underlying EBITDA from established business (being the operating result of the Group before non-recurring items and greenfield losses) increasing 37% to \$9.1m.

\$'000	FY16	FY15	%
Revenue from continuing operations	72,384	56,268	29%
EBITDA-R (underlying) *	16,097	11,403	41%
EBITDA (underlying) *	9,075	6,608	37%
EBIT (underlying)*	7,757	5,608	
Interest expense (net)	(1,136)	(12)	
Profit before tax (underlying)	6,621	5,596	18%
Tax	(1,976)	(1,504)	
Net profit after tax (underlying)	4,645	4,092	14%
Significant non-recurring items (after tax)*			
Acquisition activity expenses and associated costs	(4,362)	(1,681)	
Greenfield NPAT	(4,917)	-	
Profit on sale of hospital freehold	-	1,060	
Deferred consideration adjustment	1,039	-	
Loss on discontinued business	-	(1,047)	
Tax Benefit of losses recognised	-	123	
Provision for doubtful debt	(280)	-	
Net profit after tax as reported	(3,875)	2,547	
EPS basic - NPAT before significant items	2.18	2.50	-13%
EPS basic - NPAT as reported	(1.82)	1.55	

* Underlying earnings excludes non-recurring items and greenfield losses (Non AIFRS financial information, reviewed, not audited)

2. Balance Sheet

The table below summarises the balance sheet position of the company.

\$'000	FY16	FY15
Total equity	90,051	53,448
Cash ⁽ⁱ⁾	16,648	3,491
Borrowings	30,196	24,111
Net debt / (cash)	13,548	20,620
NTA	8,123	(7,589)
Gearing (%) ⁽ⁱⁱ⁾	13%	28%
NTA per share (cents)	3.2	-4.6

(i) 1 July 2016, \$15.4m was used to fund the upfront consideration of Boulcott Hospital, New Zealand.

(ii) calculated as net debt / (net debt + shareholders equity)

3. Cash Flow

Proceeds of capital raising invested in \$27m of growth assets with \$16m on hand for completion of Boulcott Hospital.

\$'000	Operating and Investing Cash Flow		
	FY16	FY15	%
Cash & cash equivalents beginning of the year	3,491	7,007	
Operating cash flow			
- Established business	3,315	5,150	-36%
- Greenfield activity	(2,723)	-	
- Acquisition, development and integration costs	(5,148)	(1,681)	
Operating Cash Flow	(4,556)	3,469	-231%
<u>Capital expenditure</u>			
- Greenfield/development	(10,790)	(2,412)	
- Stay in business	(1,176)		
- Purchase/sale of business	(20,787)	(27,325)	
- Sale of freehold	6,830	-	
Total	(25,923)	(29,737)	
<u>Net cash flow from financing activities</u>			
Equity raising (net)	41,212	170	
Dividends paid	(1,277)	(1,318)	
Borrowings (net)	3,463	23,770	
Total	43,398	22,622	
Interest revenue	238	130	
Cash & cash equivalents at end of the year	16,648	3,491	377%

4. Outlook

Pulse Health is pleased to advise that it expects that underlying FY17 EBITDA from established hospitals will be in the range of \$13.5m to \$15.5m. Ramp-up losses associated with the Gold Coast Surgical Hospital are expected to be in the range of \$1.0m to \$3.0m, before the greenfield development turns to profit in FY18.

5. Attachments

Further details including business combinations during the year are included in the attached Directors' Report, audited financial statements and notes contained in the 2016 Annual Financial Report.

6. Reconciliation of AIFRS and non AIFRS financial information

The directors believe the presentation of non-AIFRS financial information is useful for readers of this document to provide information on the company's profit results that is consistent with equity valuation and investment research methodologies generally adopted in Australia. The following table reconciles the reported AIFRS profit result in the Statement of Comprehensive Income appearing in the attached financial report to underlying operating EBITDA and NPAT.

	2016 \$'000	2015 \$'000
Net profit after tax as reported	(3,865)	2,547
Income tax expense	(1,045)	1,618
Depreciation and amortisation	2,268	1,000
Finance costs (net)	1,136	12
Rent paid	9,276	4,795
Acquisition activity expenses and associated costs	5,148	1,681
Greenfield EBITDA-R loss	3,819	-
Profit on sale of hospital freehold	-	(1,297)
Deferred consideration adjustment	(1,039)	-
Loss on discontinued business	-	1,047
Provision for impairment of receivable	399	-
EBITDA-R (Established business)*	16,097	11,403
Rent paid (Established business)	(7,022)	(4,795)
EBITDA (Established business)*	9,075	6,608
Depreciation and amortisation (Established business)	(1,318)	(1,000)
EBIT (Established business)*	7,757	5,608
Finance costs (net)	(1,136)	(12)
Profit before tax (Established business)	6,621	5,596
Income tax expense (Established business)	(1,976)	(1,504)
Net profit after tax before significant items from	4,645	4,092

* Non AIFRS financial information, not audited

For the financial year ended 30 June 2016 the following significant and non-recurring transactions occurred:

- During the year the Group incurred acquisition, development and integration costs of \$5.1m. Of this amount, \$2.8m related to the acquisition of Zenitas Holdings Pty Ltd (4 day surgeries) and Boulcott Hospital and \$1.1m related to the unsuccessful acquisition of Vision Eye Limited.
- The fair value of contingent consideration payable to the vendors of the The Hills Clinic Pty Ltd was adjusted down by \$1.0m.
- The provision for impaired receivable relates to surgical services performed in 2015 under a subcontract arrangement with a company that subsequently experienced financial difficulty. A repayment plan is in place for the full outstanding amount and interest.
- The Company commissioned the Gold Coast Surgical Hospital on 31 August 2015. The greenfield EBITDA-R disclosed above includes expenses incurred prior to opening, and ramp-up cost as the business moves to profitability.