PULSE HEALTH LIMITED

A.B.N. 69 104 113 760

APPENDIX 4E

FOR THE YEAR ENDED

30 JUNE 2012

PULSE HEALTH LIMITED

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PULSE HEALTH LIMITED

SECTION 1

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				2012 $A '000
Revenues from continuing operations	up	5.4%	to	39,397
Profit from continuing operations after tax attributable to members	up	81.04%	to	697
Profit from ordinary activities after tax attributable to members	up	81.04%	to	697
Profit from extraordinary items after tax attributable to members				NIL
Net profit for the period attributable to members	up	81.04%	to	697

Dividends (distributions)	Amount per Security	Franked amount per Security
Interim dividend	NIL	NIL
Previous corresponding period	NIL	NIL
Record date for determining entitlements to the dividend		N/A

EPS	2012 Cents Per Share	2011 Cents Per Share
Basic and diluted earnings per share	0.26	0.15
Weighted average number of shares used in the denominator to calculate the earnings per share	265,501,289	251,327,622

Net tangible assets per security	2012 Cents Per Share	2011 Cents Per Share
Net tangible assets per ordinary share	-	-

1.1 BRIEF EXPLANATION OF RESULTS

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

As in the prior year, the principal activity of the Company during the period centred on continuing its transformation into a fully operational group within the Healthcare area. The business contributions are shown in the "Explanation of Revenues" section below.

Explanation of Revenues

During the year, the Company continued to develop its operational entities in its three main business segments, being Private Hospitals, Community Care and Health Recruitment.

	Revenues Year ending 30 June	
	2012	**2011**
Segment	**$'000**	**$'000**
Private Hospital	36,230	34,312
Health Recruitment	447	897
Community Care	2,683	2,149
Pulse Health Ltd - Holding Company	37	14
Total Revenues	**39,397**	**37,372**

1.1 BRIEF EXPLANATION OF RESULTS (continued)

Summary of Operating Results

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Revenue from continuing operations	39,397	37,372
Earnings Before Interest, Taxes, Depreciation, Amortisation, Impairments and Rents (EBITDA-R)	6,938	6,023
Premises rents and outgoings	(2,876)	(2,687)
Earnings Before Interest, Taxes, Depreciation, Amortisation, Specific Items and Impairment (EBITDA)	4,062	3,336
Depreciation	(520)	(530)
Amortisation of Intangible Assets	(445)	(445)
Specific items - acquisition and sales costs	(117)	-
Impairment Charges	(36)	(376)
Earnings Before Interest and Taxes (EBIT)	2,944	1,985
Interest Expense - hospital finance lease	(1,600)	(1,536)
Finance costs	(1,081)	(1,066)
Earnings before taxes (EBT)	263	(617)
Income tax (expense)/benefit	434	1,002
Profit / (Loss) for the year	697	385

Explanation of profit – continuing operations

The Group is pleased to report its first annual profit before tax of $0.3M and a profit after tax for the year ended 30 June 2012 of $0.7M. This is an improvement of 81% on the year ended 30 June 2011.

The Group's revenues from continuing operations grew from $37.4M to $39.4M, a 5.4% increase. The group increased its EBITDA before acquisitions and sales costs by 22%. The profit before tax for the year ended 30 June 2012 of $0.3M increased from a loss before tax of $0.6M for the year ended 30 June 2011.

In FY12 the Group repaid $0.7M in bank debt with an additional $0.2M paid compared to the prior year. The Group also repaid $0.1M of convertible notes on 1 July 2011. Additionally, the Group incurred $0.1M of costs in relation to the purchase of Eden Rehabilitation Hospital (included in Specific Items – acquisition and sales costs above), a 36 bed rehabilitation hospital based in Queensland which settled on 12 July 2012.

In June 2012, the Company issued 203,944,946 shares at $0.04 per share in a non-renounceable pro-rata rights issue partly for the above mentioned purchase of Eden Rehabilitation Hospital.

The Group's implementation of its hospital management program is progressing well, with all of Pulse's business units recording revenue improvements from prior year.

PULSE HEALTH LIMITED

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SECTION 2

FINANCIAL INFORMATION FOR

THE YEAR ENDED

30 JUNE 2012

PULSE HEALTH LIMITED

AND CONTROLLED ENTITES

A.B.N. 69 104 113 760

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Revenue from continuing operations	2	**39,397**	**37,372**
Employee benefits expenses		(22,525)	(21,646)
Rent and outgoings	3	(2,876)	(2,687)
Medical consumables and supplies		(5,079)	(4,536)
Repairs and maintenance		(568)	(638)
Medical contractors		(1,306)	(1,366)
Professional fees		(287)	(373)
Other expenses		(2,694)	(2,790)
Profit from continuing operations before tax, acquisition and sale costs, impairment charges, finance costs, amortisation and depreciation		4,062	3,336
Impairment charges	3	(36)	(376)
Finance costs	3	(2,681)	(2,602)
Acquisition and sale costs	3	(117)	-
Depreciation and amortisation expense	3	(965)	(975)
Profit / (Loss) before income tax from continuing operations		263	(617)
Income tax credit	5(a)	434	1,002
Profit after income tax for the year		697	385
Other Comprehensive Income			
Other Comprehensive Income net of tax		-	-
Total comprehensive income for the year		697	385
Total comprehensive income attributable to owners of the company		697	385

Earnings per share for loss attributable to the ordinary equity holders of the company

	2012	2011
Basic and diluted earnings per share (cents per share)	0.26	0.15

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Notes	Consolidated 2012 $'000	2011 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	9,290	573
Trade and other receivables	7	5,428	5,104
Inventories	8	754	607
Other current assets	9	15	20
Total Current Assets		15,487	6,304
NON CURRENT ASSETS			
Property, plant and equipment	10	9,282	9,883
Deferred tax assets	5(e)	3,021	2,587
Intangible assets	11	25,338	25,769
Other non current assets	12	200	-
Total Non Current Assets		37,841	38,239
TOTAL ASSETS		53,328	44,543
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	5,058	4,292
Borrowings	15	2,100	12,246
Provisions	14	1,774	1,689
Other liabilities	16	786	558
Total Current Liabilities		9,718	18,785

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2012 (continued)

	Note	Consolidated 2012 $'000	2011 $'000
NON CURRENT LIABILITIES			
Borrowings	18	21,776	12,232
Deferred tax liabilities	5(f)	2	64
Provisions	17	426	305
Other liabilities	19	1,796	2,152
Total Non Current Liabilities		24,000	14,753
TOTAL LIABILITIES		33,718	33,538
NET ASSETS		**19,610**	**11,005**
EQUITY			
Contributed equity	20(b)	27,575	19,867
Share based payment reserve	20(c)	241	41
Accumulated losses		(8,206)	(8,903)
TOTAL EQUITY		**19,610**	**11,005**

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

CONSOLIDATED	Notes	Contributed Equity $'000	Share based reserve $'000	Accumulated losses $'000	Total Equity $'000
Balance as at 1 July 2011		19,867	41	(8,903)	11,005
Total Comprehensive Income for the year		**-**	**-**	**697**	**697**
Transactions with owners in their capacity as owners :					
Issue of shares in non-renounceable rights issue		8,158	-	-	8,158
Share based payments		-	200	-	200
Capital raising costs		(512)	-	-	(512)
Deferred tax asset on capital raising costs		62	-	-	62
Balance at 30 June 2012		**27,575**	**241**	**(8,206)**	**19,610**
Balance as at 1 July 2010		19,917	117	(9,463)	10,571
Total Comprehensive Income for the year		**-**	**-**	**385**	**385**
Transactions with owners in their capacity as owners:					
Issue of shares in lieu of STI bonus		21	-	-	21
Options lapsed		-	(175)	175	-
Share based payments		-	99	-	99
Deferred tax asset on capital raising costs		(71)	-	-	(71)
Balance at 30 June 2011		**19,867**	**41**	**(8,903)**	**11,005**

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Receipts from customers (incl GST)		39,292	37,462
Payment to suppliers and employees (incl GST)		(34,605)	(34,529)
		4,687	2,933
Interest paid		(1,103)	(981)
Government grants		271	-
Net cash inflow from operating activities	23(b)	3,855	1,952
Cashflow from investing activities			
Payments for purchase of businesses		(200)	-
Payments for intangible assets		(50)	-
Payments for plant and equipment		(323)	(285)
Interest received		40	6
Net cash (outflow) inflow from investing activities		(533)	(279)
Cash flows from financing activities			
Proceeds from the issue of shares		8,158	21
Share issue costs		(507)	-
Westmead finance lease interest payments		(1,375)	(1,329)
Repayment of borrowings		(808)	(618)
Payments for borrowing cost		(73)	(32)
Net cash (outflow) inflow from financing activities		5,395	(1,958)
Net increase/(decrease) in cash and cash equivalents		8,717	(285)
Cash and cash equivalents beginning of the financial year		573	858
Cash and cash equivalents at end of year	6(a)	9,290	573

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

1. Statement of significant accounting policies

The Consolidated Preliminary financial statements of Pulse Health Limited and subsidiaries (the "Group") for the year ended 30 June 2012 do not include all the notes of the type that would normally be included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the Group as the full financial report.

Basis of preparation

The Consolidated financial statements have been prepared on an accrual basis based on historical cost, except for derivative financial instruments that have been measured at fair value.

Unless otherwise detailed in the notes, accounting policies have been consistently applied by the entities in the Group and are consistent with those applied in the June 2011 annual report.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pulse Health Limited Group as at 30 June 2012 and the results of all subsidiaries for the year then ended. Pulse Health Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity. Subsidiaries are all entities (including special purpose 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.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits and losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

The acquisition method of accounting is used for the acquisition of subsidiaries by the Group (refer to note 1(j).

Non-controlling interest in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position.

1. Statement of significant accounting policies (continued)

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax loss benefits can be utilised.

Tax Consolidation

Pulse Health Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation with effect from 1 July 2007. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the "stand-alone taxpayer" approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The tax consolidated group have entered tax funding arrangements whereby each company in the group contributes to the income tax payable by the group in proportion to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value using the FIFO method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Items opened, ready for use in the ordinary course of business are expensed.

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

1. Statement of significant accounting policies (continued)

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer who is responsible for allocating resources and assessing performance of the operating segments. AASB 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

(e) Property, Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

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

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

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

Plant and Equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads

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 income statement during the financial period in which they are incurred.

Government funded plant and equipment are recognised at cost into deferred income at acquisition.

Depreciation

The depreciable amount of all fixed assets including building, capitalised lease assets and government funded assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation for government funded assets are recognised against the deferred income over the useful life of the acquired assets.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

1. Statement of significant accounting policies (continued)

(e) Property, Plant and Equipment (continued)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.50%
Leasehold improvements	Based on leasehold period
Plant and equipment	5-33%
Leased assets	5-33%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Intangible assets

Right to operate Hospitals

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

The intangible asset, 'right to operate hospitals', has been acquired through business combinations. This intangible asset has been assessed as having a finite life and are amortised using the straight line method over 30 years. If an impairment indicator arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 21).

(g) Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

1. Statement of significant accounting policies (continued)

(h) 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 Pulse Health 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 rate of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

1. Statement of significant accounting policies (continued)

(j) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, 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 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.

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share 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 gain.

Where settlement of any part of the 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.

(k) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it recoverable amount is expensed to the profit and loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives, or more frequently if events or changes in circumstances indicate that they might be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Trade receivables

Trade receivable are recorded at their fair value at the time of a sale and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off directly to the profit and loss. An allowance account is used when there is objective evidence that the Group will not be able collect all amounts due according to the original terms of the receivables.

(n) Financial Instruments

Recognition and Initial Measurement

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

1. Statement of significant accounting policies (continued)

(n) Financial Instruments (continued)

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

(v) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair values are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(o) Earnings per Share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, 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. 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.

1. Statement of significant accounting policies (continued)

(p) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(q) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic resources will be required to settle the obligation and that outflow can be reliably measured.

(r) Share Based Payments

Share-based compensation benefits are provided under the Pulse Health Limited Employee Option Plan.

The fair value of options granted under the Pulse Health Limited Employee Option Plan is recognised as 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 employee becomes unconditionally entitled to the options.

The fair value at grant date is independently 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 fair value of the options granted is adjusted to reflect market vesting conditions, but 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. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, if any, is recognised in the profit and loss with a corresponding adjustment to equity.

(s) Revenue

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

(i) Patient/Client Revenues

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

(ii) Interest

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

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance costs.

1. Statement of significant accounting policies (continued)

(t) Borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(u) Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in income in the period in which they are incurred.

(v) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(w) Goods and services tax (GST)

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

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

(x) Government grants

Government Grants are recognised at fair value where there is a reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(y) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(z) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1. Statement of significant accounting policies (continued)

(aa) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

Key estimates — Estimated impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(k). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Key estimates — Unbilled Receivables

At the end of the period, the Group had performed services for which the billing had not been completed. The Group estimates the revenues relating to unbilled services.

2. Revenue

	Consolidated 2012 $'000	Consolidated 2011 $'000
Continuing operations		
Operating income	39,363	37,367
Interest income	34	5
Total revenue	39,397	37,372

3. Profit and loss from continuing operations before income tax expense

	Consolidated 2012 $'000	Consolidated 2011 $'000
The profit and loss from continuing operations before income tax has been determined after charging the following items:		
Depreciation of buildings, plant and equipment	520	530
Amortisation of intangible assets	445	445
Rent and outgoings	2,876	2,687
Interest expense and other finance costs	1,081	1,066
Interest expense relating to lease of hospital operations	1,600	1,536
Impairment of goodwill - Recruitment Specialist Group	36	376
Acquisition costs	72	-
Sale costs	45	-

Acquisition costs mainly relate to professional fees incurred in the purchase of Eden Rehabilitation Hospital (Note 24). Sale costs relate to professional fees incurred during the period in which the Company received an non-binding indicative offer relating to its operations.

4. Auditors' remuneration

	Consolidated 2012 $'000	Consolidated 2011 $'000
Audit and review of the Financial Report	143	163
Other services	21	16
Total	164	179
BDO East Coast Partnership	164	179
Total	164	179

5. Income tax expense

	Consolidated	
	2012	2011
	$'000	$'000
(a) Reconciliation of income tax expense to prima facie tax payable		
Profit / (Loss) from continuing operations before tax	263	(617)
Income tax credit calculated at 30% (2011: 30%)	79	(185)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of intangible assets	11	113
Share based payment expense	60	30
Other non-deductible expenses	5	42
Over provision from prior years	(37)	-
Recognition of previously unrecognised temporary differences	-	(582)
Recognition of prior years tax losses	(552)	(420)
Income tax credit attributable to loss	(434)	(1,002)

(b) Unrecognised deferred tax assets	Consolidated	
	2012	2011
	$'000	$'000
Unrecognised tax losses		
The deferred tax assets not brought to account relating to revenue tax losses are as follows:	4,014	6,053
Potential tax benefit at 30% (2011: 30%)	1,204	1,816

5. Income tax expense (continued)

	Consolidated	
	2012	2011
(c) Amounts recognised directly in equity	$'000	$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net loss but directly credited to equity		
Net deferred tax – credited/(debited) directly to equity	(62)	71

	Consolidated	
	2012	2011
(d) Income Tax Components	$'000	$'000
Deferred tax assets	(380)	(1,058)
Deferred tax liability	(54)	56
Income tax expense/(credit)	(434)	(1,002)
Income tax expense/(credit) is attributable to:		
Continuing operations	(434)	(1,002)
Aggregate income tax expense/(credit)	(434)	(1,002)

	Consolidated	
	2012	2011
(e) Deferred Tax Assets	$'000	$'000
The balances comprise temporary differences attributable to:		
Tax losses	503	420
Provisions	660	598
Deferred income	658	765
Finance leases	636	442
Accruals	153	54
Others	222	181
Items charged directly to equity	189	127
Total	3,021	2,587

	Consolidated	
	2012	2011
(f) Deferred Tax Liabilities	$'000	$'000
The balances comprise temporary differences attributable to:		
Prepayments	2	64
Total	2	64

5. Income tax expense (continued)

(g) Movements in Deferred Tax Assets-Consolidated	Tax losses $'000	Provisions $'000	Deferred Income $'000	Finance leases $'000	Accruals $'000	Other $'000	Total $'000
As at 1 July 2010	-	494	765	-	84	257	1,600
(Charged)/credited to the income statement	420	104	-	442	(30)	122	1,058
(Charged)/ credited to equity	-	-	-	-	-	(71)	(71)
As at 30 June 2011	420	598	765	442	54	308	2,587
(Charged)/ credited to the income statement	83	62	(107)	194	99	41	372
(Charged)/ credited to equity	-	-	-	-	-	62	62
As at 30 June 2012	503	660	658	636	153	411	3,021

(h) Movements in Deferred Tax Liabilities-Consolidated	Prepayments $'000	Total $'000
As at 1 July 2010	8	8
Charged / (credited) to the income statement	56	56
As at 30 June 2011	64	64
Charged / (credited) to the income statement	(62)	(62)
As at 30 June 2012	2	2

6. Cash and cash equivalents

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash at bank and on hand	8,884	434
Restricted cash (1)	406	139
Total cash and cash equivalents	9,290	573

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

(a) Reconciliation to cash at bank and on hand

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

	2012 $'000	2011 $'000
Balances as above	9,290	573
Balance as per statement of cash flows	9,290	573

7. Trade and other receivables

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Trade debtors	3,445	3,091
Sundry debtors	8	21
Prepayments	544	715
Accrued income	1,431	1,277
Total current trade and other receivables	5,428	5,104

8. Inventories

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
On hand, available for use	754	607
Total current inventories	754	607

9. Other current assets

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Security deposit	15	20
Total other current assets	15	20

10. Property, plant and equipment

	Land and Buildings $'000	Leasehold Improvement $'000	Leased Assets $'000	Plant and Equipment $'000	Total $'000
Consolidated					
Year ended 30 June 2012					
Opening net book amount	5,445	80	29	4,329	9,883
Additions	12	-	-	312	324
Depreciation charge	(64)	(12)	(13)	(836)	(925)
Closing net book amount	5,393	68	16	3,805	9,282
At 30 June 2012					
Cost	5,662	113	73	7,294	13,142
Accumulated depreciation	(269)	(45)	(57)	(3,489)	(3,860)
Net book amount	5,393	68	16	3,805	9,282
Year ended 30 June 2011					
Opening net book amount	-	80	41	5,500	5,621
Additions	34	11	-	240	285
Depreciation charge	(68)	(11)	(12)	(851)	(942)
Impairment of fixed assets	560	-	-	(560)	-
Transfer to asset held for sale	4,919	-	-	-	4,919
Closing net book amount	5,445	80	29	4,329	9,883
At 30 June 2011					
Cost	5,650	113	73	6,982	12,818
Accumulated depreciation	(205)	(33)	(44)	(2,653)	(2,935)
Net book amount	5,445	80	29	4,329	9,883

11. Intangible assets

	Goodwill $'000	Right to Operate Hospital $'000	Total $'000
Consolidated			
At 30 June 2012			
Cost	17,437	13,287	30,724
Accumulated amortisation	-	(1,595)	(1,595)
Accumulated Impairments	(3,791)	-	(3,791)
Net book amount	13,646	11,692	25,338

Reconciliation of opening and closing net book amount - year ended 30 June 2012

	Goodwill $'000	Right to Operate Hospital $'000	Total $'000
Opening net book amount	13,682	12,087	25,769
Additions	-	50	50
Amortisation charge	-	(445)	(445)
Impairment charge	(36)	-	(36)
Closing net book amount	13,646	11,692	25,338

	Goodwill $'000	Right to Operate Hospital $'000	Total $'000
At 30 June 2011			
Cost	17,437	13,237	30,674
Accumulated amortisation	-	(1,150)	(1,150)
Accumulated Impairments	(3,755)	-	(3,755)
Net book amount	13,682	12,087	25,769

Reconciliation of opening and closing net book amount - year ended 30 June 2011

	Goodwill $'000	Right to Operate Hospital $'000	Total $'000
Opening net book amount	14,058	12,532	26,590
Amortisation charge	-	(445)	(445)
Impairment charge	(376)	-	(376)
Closing net book amount	13,682	12,087	25,769

	Consolidated 2012 $'000	Consolidated 2011 $'000
The Hospital Division	23,148	23,544
The Community Care Division	2,061	2,061
The Recruitment Division	129	164
Total	25,338	25,769

11. Intangible assets (continued)

As at June 2012, the Group determined that the Recruitment Specialist Group did not meet the required forecast discounted cashflows to maintain their carrying value and an impairment charge of $36,000 (2011: $376,000) was required. No further impairment was deemed necessary on any of the Group's continuing operations.

12. Other non current assets

	Consolidated	
	2012	2011
	$000's	$000's
Non current		
Acquisition deposit (a)	200	-
Total other non current assets	200	-

(a) Deposit paid for the acquisition of Eden Rehabilitation Hospital, which was settled on 12 July 2012. Refer note 24 for more information.

13. Trade and other payables

	Consolidated	
	2012	2011
	$'000	$'000
Current		
Trade creditors and accruals	4,610	4,024
Other creditors	448	268
Total current trade and other payables	5,058	4,292

14. Provisions

	Consolidated	
	2012	2011
	$'000	$'000
Current		
Employee entitlements	1,774	1,689
Total current provisions	1,774	1,689

15. Borrowings

	Consolidated	
	2012	2011
	$'000	$'000
Current		
Secured		
Finance leases	1,380	1,365
Convertible notes (a)	-	128
Bank loan (b)	720	10,753
Total secured current borrowings	2,100	12,246

(a) Convertible notes

The convertible notes were on issue at face value of $0.10 each. On 1 July 2011, all 1,275,000 convertible notes remaining were repaid to note holders.

(b) Bank loan

As announced to the ASX on 17 January 2012, the Company has executed a two year Banking Agreement until 31 December 2013. This is the first time since 2008 that the company has executed a term debt facility for a period of greater than 12 months. The following are the material terms and conditions:

A series of 1st ranking fixed and floating mortgages and charges over the assets and undertaking of Pulse Health Limited as well as a series of cross collateralised security including cross guarantee and indemnity supporting the mortgages and charges.

A series of Financial and Reporting Covenants are required, including a minimum interest cover ratio and total equity, and a maximum gearing/leverage ratio. The Group was not in breach of any covenants during the year ended 30 June 2012.

The bank loan has two components, a fixed rate component at 11.07% p.a. and a variable rate component at 30 day BBSY + liquidity margin + 5.50% (2011: + 3.20%). At year end the term loan had $10,090,000 outstanding and will amortise at $60,000 per month from July 12 to June 13.

16. Other liabilities

	Consolidated	
	2012	2011
	$'000	$'000
Current		
Government grants	388	159
Deferred income (a)	398	399
Total other current liabilities	786	558

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

17. Provisions

	Consolidated 2012 $'000	Consolidated 2011 $'000
Non current		
Employee entitlements	426	305
Total non current provisions	426	305

18. Borrowings

	Consolidated 2012 $'000	Consolidated 2011 $'000
Non current		
Secured		
Finance leases (a)	12,445	12,232
Bank loan (b)	9,331	-
Total non current borrowings	21,776	12,232

(a) Asset pledged as security. Lease liability is effectively secured as the rights to the leased assets recognised in the financial statements reverting to the lessor in the event of default.
(b) Refer to note 15.

19. Other liabilities

	Consolidated 2012 $'000	Consolidated 2011 $'000
Non current		
Deferred income (a)	1,796	2,152
Total non current other liabilities	1,796	2,152

(a) Refer to note 16.

20. Issued capital and share based reserve

	Consolidated	
	2012	2011
	$'000	$'000
(a) Issued and paid-up capital		
475,871,403 (2011: 271,926,457) fully paid ordinary shares	27,575	19,867

(b) Movement in ordinary share capital	**No. of Shares**	**$'000**
Balance - 1 July 2010	252,333,221	19,917
Recognition of movements in deferred tax assets in equity	-	(71)
Issue of shares in lieu of Bonus	532,570	21
Cancellation of Shares issued under a non-recourse facility	(1,333,334)	-
Issue of shares under non-recourse loan facility pursuant to LTI Scheme	20,394,000	-
Balance - 30 June 2011	**271,926,457**	**19,867**
Issue of shares in non-renounceable rights issue	203,944,946	8,158
Capital raising costs	-	(512)
Recognition of movements in deferred tax assets in equity	-	62
Balance - 30 June 2012	**475,871,403**	**27,575**

	Consolidated	
	2012	2011
(c) Share based payments reserve	$'000	$'000
Balance at beginning of year	41	117
Add / (deduct):		
Options lapsed	-	(175)
Share based payment	200	99
Balance at end of year	241	41

20. Issued capital and share based reserve (continued)

(d) Ordinary shares

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

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

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

(e) Share based reserve

The share-based payments reserve is used to recognise:

- The grant date fair value of options issued to directors but not exercised
- The grant date fair value of shares issued to directors
- The grant date fair value of options issued to suppliers but not exercised

21. Segment Reporting

(a) Description of segments

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the Chief Executive Officer.

The Chief Executive Officer has identified 3 reportable segments based on the type of service provided within the group, namely private hospitals, community care and health recruitment. Private hospitals make strategic acquisitions of privately run hospitals and day surgeries around Australia. Community Care provides health services to patients including Nursing Care, Case Management, Respite Care and Allied Health provisions. Health recruitment provides a reliable network of contracted and permanent employment services of nurses, Allied and medical personnel to health care providers in the private, public and aged care sectors.

(b) Segment information provided to the board of directors

The segment information provided to the board of directors for the reportable segments for the year ended 30 June 2012 is as follows :

Year ended 30 June 2012	Private Hospitals	Community Care	Health Recruitment	Unallocated	Total
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Segment Revenues					
Total segment revenue	35,693	2,673	511	-	**38,877**
Intersegmental Revenue	(61)	-	(64)	-	**(125)**
Other revenue	598	10	-	37	**645**
Revenue from external customers	36,230	2,683	447	37	**39,397**
Adjusted EBITDA	6,064	204	(3)	-	**6,265**
Depreciation and amortisation	474	20	11	15	**520**
Impairment of goodwill	-	-	36	-	**36**
Total segment assets	38,516	2,380	198	-	**41,094**
Additions to non-current assets (other than financial assets and deferred tax)	321	2	-	1	**324**

21. Segment reporting (continued)

Year ended 30 June 2011	**Private Hospitals** $ 000's	**Community Care** $ 000's	**Health Recruitment** $ 000's	**Unallocated** $ 000's	**Total** $ 000's
Segment Revenues					
Total segment revenue	33,717	2,132	839	-	**36,688**
Intersegmental Revenue	(61)	-	(29)	-	**(90)**
Other revenue	656	17	87	14	**774**
Revenue from external customers	34,312	2,149	897	14	**37,372**
Adjusted EBITDA	5,396	137	(52)	-	**5,481**
Depreciation and amortisation	466	28	11	19	**524**
Impairment of goodwill	-	-	376	-	**376**
Total segment assets	38,723	2,303	277	-	**41,303**
Additions to non-current assets (other than financial assets and deferred tax)	266	3	10	6	**285**

(c) Other segment information

(i) Adjusted EBITDA

The Chief Executive Officer assesses the performance of the operating segments based on a measure of Adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, effects of equity-settled share based payments, unrealised gains/(losses) on financial instruments, interest income and expenditure, head office costs and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

A reconciliation of adjusted EBITDA to Loss before income tax from continuing operations is provided as follows:

	Consolidated 2012 $'000	**2011** $'000
Adjusted EBITDA from continuing operations	6,265	5,481
Unallocated head office costs	(2,320)	(2,145)
Finance Costs	(2,681)	(2,602)
Depreciation and amortisation	(965)	(975)
Impairment Charges	(36)	(376)
Profit / (Loss) before income tax from continuing operations	**263**	**(617)**

21. Segment reporting (continued)

(ii) Segment assets

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

	Consolidated 2012 $'000	Consolidated 2011 $'000
Segment assets	41,094	41,303
Unallocated assets:		
Cash	8,880	553
Trade and other receivables	74	39
Deferred tax asset	3,021	2,587
Property, plant and equipment	46	61
Other non current assets	213	-
Total assets as per the balance sheet	**53,328**	**44,543**

22. Profit per share

	Consolidated 2012 $'000	Consolidated 2011 $'000
Earnings used to calculate basic and diluted earnings per share		
Profit for the year	697	385
Weighted average number of shares used as the denominator	**Number**	**Number**
Number for basic and diluted profit per share		
Ordinary shares	265,501,289	251,327,622

2,625,000 options granted are not included in the calculation of diluted loss per share because they are anti-dilutive for the year ended 30 June 2012. These options could potentially dilute basic earnings per share in the future.

23. Notes to the Statement of Cash Flows

	Consolidated	
	2012	2011
	$'000	$'000
(a) Reconciliation of cash and cash equivalents		
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents (Note 6)	9,290	573
(b) Reconciliation of net cash flows from operating activities to profit after income tax		
Profit after income tax	697	385
Depreciation and amortisation	965	975
Impairment charges	36	376
Share based payments	200	99
Interest income	(35)	(6)
Interest on finance lease	1,600	1,536
Other non operating items in loss after income tax	63	20
Net cash used in operating activities before changes in assets and liabilities	3,526	3,385
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase) decrease in trade and other receivables	(324)	(482)
(Increase) in inventories	(147)	(22)
(Increase) decrease in current and deferred tax assets	(371)	(1,058)
(Increase) decrease in other operating assets	(3)	(1)
Increase (decrease) in trade and other payables	759	13
Increase (decrease) in deferred tax liabilities	(62)	56
Increase in provisions	206	82
Increase (decrease) in other operating liabilities	271	(21)
Net cash and cash equivalents used in operating activities	3,855	1,952

24. Events subsequent to balance date

On 12 July 2012, PERH Pty Ltd, a wholly owned subsidiary of Pulse Health Limited, acquired Eden Rehabilitation Hospital (also known as Eden Rehabilitation Centre) at Cooroy, Queensland for the total sales price of $6,260,100 less assumed employee entitlements. This is a 36 bed rehabilitation hospital which will operate in the Hospital division of the consolidated entity.

The fair value of the net identifiable assets acquired on acquisition were $346,856 resulting in goodwill of $5,618,781. The values identified in relation to the acquisition are based on provisional amounts.

The funds to purchase the hospital were raised as part of the Group's capital raising by way of a 3 for 4 non-renounceable pro-rata rights issue.

25. Litigation matters

No litigation was undertaken in the year and to the Group's knowledge, none are threatened or pending at the date of this report.

SECTION 3

STATUS OF THE AUDIT

Pulse Health Limited and Controller Entities
APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2012

AUDIT UPDATE

This report is based on accounts to which one of the following applies

(*Tick one*)

	The accounts have been audited		The accounts have been subject to review
√	The accounts are in the process of being audited. Subject to review		The accounts have not yet been audited or reviewed

SECTION 4

LISTING RULES 3.13.1 AND 14.3

Further to Listing Rule 3.13.1 and Listing Rule 14.3, the Annual General Meeting of Pulse Health Limited is scheduled for Wednesday, 28th November 2012.