PULSE HEALTH LIMITED

A.B.N. 69 104 113 760

APPENDIX 4E

FOR THE YEAR ENDED

30 JUNE 2011

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

				2011 $A '000
Revenues from continuing operations	up	8.2%	to	37,372
Profit from continuing operations after tax attributable to members	up	127.6%	to	385
Profit from discontinued operations after tax attributable to members	down	100.0%	to	-
Profit from ordinary activities after tax attributable to members	up	129.4%	to	385
Loss from extraordinary items after tax attributable to members				NIL
Net profit for the period attributable to members	up	129.4%	to	385

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	2011 Cents Per Share	2010 Cents Per Share
Basic and diluted earnings per share	0.15	(0.64)
Weighted average number of shares used in the denominator to calculate the earnings per share	251,327,622	205,382,160

Net tangible assets per security	2011 Cents Per Share	2010 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	
			2011	**2010**
Operation	**Period Operated**	**Segement**	**$**	**$**
Bega Valley Private Hospital Pty Ltd	Year ending 30 June 2010 & 2011	Private Hospital	2,390	2,384
Forster Private Hospital Pty Ltd	Year ending 30 June 2010 & 2011	Private Hospital	11,845	10,216
Gympie Private Hospital Pty Ltd	Year ending 30 June 2010 & 2011	Private Hospital	4,470	4,181
Kingaroy Private Hospital Pty Ltd	Year ending 30 June 2010 & 2011	Private Hospital	2,414	2,353
Westmead Rehabilitation Hospital	Year ending 30 June 2010 & 2011	Private Hospital	13,193	12,060
Total Hospitals			34,312	31,194
Recruitment Specialist Group	Year ending 30 June 2010 & 2011	Health Recruitment	897	1,303
Total Health Recruitment			897	1,303
North Coast Community Care Pty Ltd	Year ending 30 June 2010 & 2011	Community Care	2,149	2,023
Total Community Care			2,149	2,023
Pulse Health Ltd	Year ending 30 June 2010 & 2011	Holding Company	14	23
Total Revenues - continuing operations			**37,372**	**34,543**
Discontinued Operations:				
Care Call Pty Ltd	1 July 2009 to date of sale, 31 July 2009	Community Care	-	335
Northside Nursing	1 July 2009 to date of sale, 30 November 2009	Community Care	-	174
Total Revenues			**37,372**	**35,052**

1.1 BRIEF EXPLANATION OF RESULTS (continued)

Summary of Operating Results

	Consolidated	
	2011	**2010**
	$000's	**$000's**
Revenue from continuing operations	37,372	34,543
Earnings Before Interest, Taxes, Depreciation, Amortisation, Impairments and Rents (EBITDA-R)	6,023	4,580
Premises rents	(2,687)	(2,423)
Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment (EBITDA)	3,336	2,157
Depreciation	(524)	(643)
Amortisation of Intangible Assets	(451)	(450)
Impairment Charges	(376)	(971)
Earnings Before Interest and Taxes (EBIT)	1,985	93
Interest Expense - hospital finance lease	(1,536)	(1,536)
Finance costs	(1,066)	(1,460)
Earnings before taxes (EBT)	(617)	(2,903)
Income tax (expense)/benefit	1,002	1,508
Discontinued operations	-	84
Profit / (Loss) for the year	385	(1,311)

Explanation of profit – continuing operations

The Group is pleased to report its maiden annual profit for the year ended 30 June 2011 of $0.4M, an improvement of $1.7M on the $1.3M loss incurred in the year ended 30 June 2010.

The Group's revenues from continuing operations grew from $34.5M to $37.4M, an 8% increase. The group increased its EBITDA by $1.2M or more than 50%, and excluding the effect of impairment charges, the loss before tax for the year ended 30 June 2010 of $1.9M reduced to $0.2M for the year ended 30 June 2011.

During FY11 the Group recognised an additional tax benefit of $1M in deferred tax assets (2010: $1.6M), thus reducing the net loss. The deferred tax assets were recognised based on forecasts prepared which show the Group achieving taxable income from the year ending 30 June 2013 onwards, which will enable to Group to utilise the carry forward tax losses.

In FY11 the Group repaid $0.6M in bank debt and convertible notes. Additionally, corporate costs were reduced by more than 12% compared to the year ended 30 June 2010.

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

The Group needs to expand operations to ensure positive earnings in the future, and will continue to pursue healthcare opportunities as they present themselves.

PULSE HEALTH LIMITED

A.B.N. 69 104 113 760

SECTION 2

FINANCIAL INFORMATION FOR

THE YEAR ENDED

30 JUNE 2011

PULSE HEALTH LIMITED

AND CONTROLLED ENTITES

A.B.N. 69 104 113 760

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

	Notes	Consolidated 2011 $000's	2010 $000's
Revenue from continuing operations	2	**37,372**	**34,543**
Employee benefits expense		(22,080)	(20,965)
Rent and outgoings	3	(2,687)	(2,525)
Medical consumables and supplies	3	(4,536)	(4,372)
Repairs and maintenance		(638)	(589)
Medical contractors		(860)	(357)
Professional fees		(356)	(506)
Other expenses		(2,879)	(3,072)
Profit before tax, impairment charges, convertible note expense, finance costs, amortisation and depreciation		3,336	2,157
Impairment charges	3	(376)	(971)
Convertible notes expense		-	(261)
Finance costs	3	(2,602)	(2,735)
Depreciation and amortisation expense	3	(975)	(1,093)
Loss from continuing operations before income tax		(617)	(2,903)
Income tax credit/(expense)	5(a)	1,002	1,508
Profit / (Loss) from continuing operations after income tax		385	(1,395)
Profit / (Loss) from discontinued operations after income tax	10	-	84
Profit / (Loss) for the year		385	(1,311)
Other Comprehensive Income			
Other Comprehensive Income net of tax		-	-
Total comprehensive income and loss for the year		385	(1,311)
Total comprehensive income and loss attributable to owners of the company		385	(1,311)

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2011 (Continued)

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

	2011	2010
Overall operations		
Basic and diluted earnings / (loss) per share (cents per share)	0.15	(0.64)
Continuing operations		
Basic and diluted earnings / (loss) per share (cents per share)	0.15	(0.68)
Discontinued operations		
Basic and diluted earnings/(loss) per share (cents per share)	-	0.04

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

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STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Notes	Consolidated 2011 $000's	2010 $000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	573	858
Trade and other receivables	7	5,104	4,624
Inventories	8	607	585
Other current assets	9	38	51
		6,322	6,118
Assets classified as held for sale	10	-	4,919
Total Current Assets		6,322	11,037
NON CURRENT ASSETS			
Property, plant and equipment	11	9,883	5,621
Deferred tax assets	5(e)	2,587	1,600
Intangible assets	12	25,769	26,590
Total Non Current Assets		38,239	33,811
TOTAL ASSETS		44,561	44,848
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	4,292	4,285
Borrowings	15	12,263	12,828
Provisions	14	1,689	1,591
Other liabilities	16	159	183
Total Current Liabilities		18,403	18,887

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2011 (continued)

	Note	Consolidated 2011 $000's	Consolidated 2010 $000's
NON CURRENT LIABILITIES			
Borrowings	18	12,233	12,081
Deferred tax liabilities	5(f)	64	8
Provisions	17	305	318
Other liabilities	19	2,551	2,983
Total Non Current Liabilities		15,153	15,390
TOTAL LIABILITIES		33,556	34,277
NET ASSETS		**11,005**	**10,571**
EQUITY			
Contributed equity	20(b)	19,867	19,917
Share based payment reserve	20(c)	41	117
Accumulated losses		(8,903)	(9,463)
TOTAL EQUITY		**11,005**	**10,571**

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 2011

CONSOLIDATED	Notes	Contributed Equity $000's	Share based reserve $000's	Accumulated losses $000's	Total Equity $000's
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 under employee STI plan		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**
Balance as at 1 July 2009		12,881	171	(8,265)	4,787
Total Comprehensive Income for the year		**-**	**-**	**(1,311)**	**(1,311)**
Transactions with owners in their capacity as owners:					
Issue of shares during capital raising		6,453	-	-	6,453
Issue of shares on conversion of Convertible Notes		560	-	-	560
Capital raising costs during the year		(435)	-	-	(435)
Fair value adjustment due to early conversion					-
of convertible notes		261	-	-	261
Options lapsed		-	(113)	113	-
Share based payments		-	59	-	59
Deferred tax asset on capital raising costs		197	-	-	197
Balance at 30 June 2010		**19,917**	**117**	**(9,463)**	**10,571**

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 2011

		Consolidated	
		2011	2010
		$000's	$000's
Cash flows from operating activities			
Receipts from customers (incl GST)		37,462	35,542
Payment to suppliers and employees (incl GST)		(34,529)	(33,992)
		2,933	1,550
Income tax received (paid)		-	152
Interest paid		(981)	(1,448)
Government grants		-	149
Net cash inflow (outflow) from operating activities	24(b)	1,952	403
Cashflow from investing activities			
Receipts/payments for sale/purchase of businesses (net of selling costs)		-	818
Payments for plant and equipment		(285)	(734)
Interest received		6	30
Net cash (outflow) inflow from investing activities		(279)	114
Cash flows from financing activities			
Proceeds from the issue of shares		21	6,453
Share issue costs		-	(436)
Westmead finance lease interest payments		(1,329)	(1,281)
Proceeds from borrowings		-	250
Repayment of borrowings		(618)	(3,693)
Payments for borrowing cost		(32)	(122)
Net cash (outflow) inflow from financing activities		(1,958)	1,171
Net increase/(decrease) in cash and cash equivalents		(285)	1,688
Cash and cash equivalents beginning of the financial year		858	(830)
Cash and cash equivalents at end of year	6(a)	573	858

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 2011 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 2010 annual report.

Going Concern Basis

The consolidated entity recorded profit for the year after tax of $385,000 (2010: $1,311,000). As at year end, the current liabilities of the consolidated entity exceeded current assets by $12,081,000 (2010 $7,850,000). The Group's banking facilities are due for renewal in December 2011 and are therefore classified as Current Liabilities. In addition, the Group was in technical breach of its Interest Cover Ratio for the quarter ended 30 June 2011.

The Directors are negotiating with the Group's bankers to renew these facilities and they expect this to be finalised in the coming months. The expectation to renew these facilities is based on the existing relationship with the Group's bankers, a history of annual renewals, and the ongoing improvement of the Group's operating results.

In addition, the Directors have received cash flow forecast from management for the next twelve months which demonstrates the consolidated entity's ability to meet its obligations as and when they fall due.

Based on the above, the financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

1. Statement of significant accounting policies (continued)

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pulse Health Ltd Group as at 30 June 2011 and the results of all subsidiaries for the year then ended. Pulse Health Ltd 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.

(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.

1. Statement of significant accounting policies (continued)

(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.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief financial officer who is responsible for allocating resources and assessing performance of the operating segments. The new standard 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.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease 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. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

1. Statement of significant accounting policies (continued)

(e) Property, Plant and Equipment (continued)

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

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).

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.

(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	
	2011	2010
	$000's	$000's
Continuing operations		
Operating income	37,367	34,520
Interest income	5	23
	37,372	34,543
Discontinued operations (note 10)	-	509
Total revenue	37,372	35,052

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

	Consolidated	
	2011	2010
	$000's	$000's
The profit and loss from continuing operations before income tax has been determined after charging the following items:		
Depreciation of buildings, plant and equipment	524	643
Amortisation of intangible assets	451	450
Direct medical expenses	4,536	4,372
Rent and outgoings	2,687	2,525
Interest expense and other finance costs	1,066	1,225
Interest expense relating to lease of hospital operations	1,536	1,510
Hedging of interest expense	-	(13)
Impairment charges:		
Impairment of land and buildings	-	507
Impairment of goodwill - Recruitment Specialist Group:	376	464

4. Auditors' remuneration

	Consolidated	
	2011	2010
	$000's	$000's
Audit and review of the Financial Report	163	179
Other services	16	18
Total	179	197
Current auditor	179	197
Total	179	197

5. Income tax expense

	Consolidated	
	2011	2010
	$000's	$000's
(a) Reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before tax	(617)	(2,903)
Profit from discontinued operations before tax	-	119
	(617)	(2,784)
Income tax credit calculated at 30% (2010: 30%)	(185)	(835)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of intangible assets	113	139
Impairment of non-current asset	-	152
Director option expense	30	18
Other non-deductible expenses	42	6
Convertible notes expense	-	78
Benefit of tax losses not brought to account	-	442
Recognition of changes in temporary differences	(582)	(1,395)
Recognition of tax losses	(420)	-
Prior year income tax (credits)/expenses adjustments	-	(78)
Income tax credit attributable to loss	(1,002)	(1,473)
Income tax credit attributable to continuing operations	(1,002)	(1,508)
Income tax expense attributable to discontinuing operations	-	35
Income tax credit attributable to loss	(1,002)	(1,473)

(b) Unrecognised deferred tax assets	Consolidated	
	2011	2010
	$000's	$000's
Unrecognised tax losses		
The deferred tax assets not brought to account relating to revenue tax losses are as follows:	6,053	6,946
Potential tax benefit at 30% (2010: 30%)	1,816	2,084

5. Income tax expense (continued)

(b) Unrecognised deferred tax assets (continued)	**Consolidated 2011 $000's**	**Consolidated 2010 $000's**
Unrecognised temporary differences		
The deferred tax assets not brought to account relating to temporary differences are as follows:	-	1,572
Potential tax benefit at 30% (2010: 30%)	-	471

The deferred tax assets on account of tax losses not brought to account represents amounts subject to factoring in accordance with tax consolidation legislation, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur.

The Group has recognised an additional $987,000 (2010: $1,600,000) in deferred tax assets during the financial year based on forecasts prepared which show the Group achieving taxable income from the year ending 30 June 2013 onwards.

(c) Amounts recognised directly in equity	**Consolidated 2011 $000's**	**Consolidated 2010 $000's**
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	71	(197)

(d) Income Tax Components	**Consolidated 2011 $000's**	**Consolidated 2010 $000's**
Deferred tax assets	(1,058)	(1,403)
Deferred tax liability	56	8
Adjustments for tax of prior periods	-	(78)
Income tax expense/(credit)	(1,002)	(1,473)
Income tax expense/(credit) is attributable to:		
Continuing operations	(1,002)	(1,508)
Discontinuing operations	-	35
Aggregate income tax expense/(credit)	(1,002)	(1,473)

5. Income tax expense (continued)

(e) Deferred Tax Assets	**2011 $000's**	**2010 $000's**
The balances comprises temporary differences attributable to:		
Tax losses	420	-
Provisions	598	494
Deferred income	765	765
Finance leases	442	-
Others	235	144
Items charged directly to equity	127	197
Total	2,587	1,600

(f) Deferred Tax Liabilities	**2011 $000's**	**2010 $000's**
The balances comprise temporary differences attributable to:		
Prepayments	64	8
Total	64	8

(g) Movements in Deferred Tax Assets-Consolidated	**Tax losses $000's**	**Provisions $000's**	**Deferred Income $000's**	**Finance leases $000's**	**Other $000's**	**Total $000's**
As at 1 July 2009	-	-	-	-	-	-
(Charged)/credited to the income statement	-	494	765	-	144	1,403
(Charged)/ credited to equity	-	-	-	-	197	197
As at 30 June 2010	-	494	765	-	341	1,600
(Charged)/ credited to the income statement	420	104	-	442	92	1,058
(Charged)/ credited to equity	-	-	-	-	(71)	(71)
As at 30 June 2011	420	598	765	442	362	2,587

5. Income tax expense (continued)

(h) Movements in Deferred Tax Liabilities-	Prepayments $000's	Total $000's
Consolidated		
As at 1 July 2009	-	-
Charged / (credited) to the income statement	8	8
As at 30 June 2010	8	8
Charged / (credited) to the income statement	56	56
As at 30 June 2011	64	64

6. Cash and cash equivalents

	Consolidated 2011 $000's	2010 $000's
Cash at bank and on hand	573	858
Total cash and cash equivalents	573	858

(a) Reconciliation to cash at bank and in 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:

	2011 $000's	2010 $000's
Balances as above	573	858
Balance as per statement of cash flows	573	858

7. Trade and other receivables

	Consolidated	
	2011	2010
	$000's	$000's
Current		
Trade debtors	3,091	3,172
Sundry debtors	21	116
Prepayments	715	481
Accrued income	1,277	855
Total current trade and other receivables	5,104	4,624

8. Inventories

	Consolidated	
	2011	2010
	$000's	$000's
Current		
On hand, available for use	607	585
Total current inventories	607	585

9. Other current assets

	Consolidated	
	2011	2010
	$000's	$000's
Current		
Security deposit	20	16
Borrowing cost	18	35
Total other current assets	38	51

10. Discontinued operations and assets classified as held for sale

(a) Description

Asset held for sale

The asset held for sale at 30 June 2010 related to a land and building which was being held for sale at Gympie. As at 30 June 2011, there are no longer plans to sell and subsequently this land and building have been reclassed back into property, plant and equipment.

Discontinued operations – year ended 30 June 2010

On 31 July 2009 the Care on Call business based in Canberra was sold to an external party and the business disposed of is reported in this financial report as a discontinued operation. On 30 November 2009 the Northside Nursing business based in Gordon, N.S.W. was sold to an external party and the business disposed of is reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information

	2010		
	Care on Call	Northside Nursing	Total
	$ 000's	$ 000's	$ 000's
Revenue	335	174	509
Expenses	(325)	(185)	(510)
Impairment charge on goodwill	-	-	-
Profit / (Loss) before income tax	10	(11)	(1)
Income tax (expense) credit	(35)	-	(35)
Profit / (Loss) after income tax of discontinued operations	(25)	(11)	(36)
Gain / (Loss) on sale of division before income tax	48	72	120
Income tax expense	-	-	-
Gain / (Loss) on sale of division after income tax	48	72	120
Profit / (Loss) from discontinued operation	**23**	**61**	**84**
Net Cash inflow / (outflow) from operating activities	128	51	179
Net Cash inflow / (outflow) from investing activities	739	79	818
Net Cash inflow / (outflow) from financing activities	-	-	-
Net increase in cash generated by the division	**867**	**130**	**997**

10. Discontinued operation (continued)

(c) Carrying amounts of Assets and Liabilities

31 July 2009 (Care on Call) and 30 November 2009 (Northside Nursing) were :	31 July 2009 Care on Call $ 000's	30 November 2009 Northside Nursing $ 000's	Total $ 000's
Cash and cash equivalents	1	-	1
Property Plant and Equipment (net of depreciation)	71	11	82
Trade Receivables	13	-	13
Intangibles	635	9	644
Total Assets	**720**	**20**	**740**
	.		
Employee entitlements	(29)	(13)	(42)
Total Liabilities	**(29)**	**(13)**	**(42)**
Net assets	**691**	**7**	**698**

(d) Details of the sale of the divisions

Year ended 30 June 2010	Care on Call $ 000's	Northside Nursing $ 000's	Total $ 000's
Consideration received :			
Cash	840	79	919
Total disposal consideration	840	79	919
Sale of business expenses	(101)	-	(101)
Carrying amount of net assets sold	(691)	(7)	(698)
Gain / (Loss) on sale before income tax	**48**	**72**	**120**
Income tax expense	-	-	-
Gain / (Loss) on sale after income tax	**48**	**72**	**120**

11. Property, plant and equipment

	Land and Buildings $000's	Leasehold Improvement $000's	Leased Assets $000's	Plant and Equipment $000's	Total $000's
Consolidated					
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)
Reclassification of assets	560	-	-	(560)	-
Transfer from 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
Year ended 30 June 2010					
Opening net book amount	5,446	76	49	5,841	11,412
Additions	42	14	-	678	734
Disposal on transfer to discontinued operations	-	-	-	(70)	(70)
Depreciation charge	(62)	(10)	(8)	(949)	(1,029)
Impairment of fixed assets	(507)	-	-	-	(507)
Transfer to asset held for sale	(4,919)	-	-	-	(4,919)
Closing net book amount	-	80	41	5,500	5,621
At 30 June 2010					
Cost	-	102	73	7,302	7,477
Accumulated depreciation	-	(22)	(32)	(1,802)	(1,856)
Net book amount	-	80	41	5,500	5,621

Land and buildings include a transfer from asset held for sale at Gympie of $4,919,000. As at 30 June 2011, there are no longer plans to sell these assets hence these are transferred back into land and buildings.

12. Intangible assets

	Goodwill $000's	Right to Operate Hospital $000's	Total $000's
Consolidated			
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			
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
At 30 June 2010			
Cost	17,437	13,237	30,674
Accumulated amortisation	-	(705)	(705)
Accumulated Impairments	(3,379)	-	(3,379)
Net book amount	14,058	12,532	26,590
Reconciliation of opening and closing net book amount			
Year ended 30 June 2010			
Opening net book amount	14,522	12,977	27,499
Amortisation charge	-	(445)	(445)
Impairment charge	(464)	-	(464)
Closing net book amount	14,058	12,532	26,590

12. Intangible assets (continued)

	Consolidated	
	2011	2010
	$000's	$000's
The Hospital Division	23,544	23,989
The Community Care Division	2,061	2,061
The Recruitment Division	164	540
Total	25,769	26,590

As at June 2011, 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 $376,000 (2010: $455,000) was required. No further impairment was deemed necessary on any of the Group's continuing operations.

13. Trade and other payables

	Consolidated	
	2011	2010
	$000's	$000's
Current		
Trade creditors and accruals	4,024	3,555
Other creditors	268	730
Total current trade and other payables	4,292	4,285

14. Provisions

	Consolidated	
	2011	2010
	$000's	$000's
Current		
Employee entitlements	1,689	1,591
Total current provisions	1,689	1,591

15. Borrowings

	Consolidated	
	2011	2010
	$000's	$000's
Current		
Secured		
Finance leases	1,365	1,313
Convertible notes (a)	128	265
Bank loan (b)	10,770	11,250
Total secured current borrowings	12,263	12,828

15. Borrowings (continued)

(a) Convertible notes

At the beginning of the year, there were 1,275,000 convertible notes on issue at face value of $0.10 each.

The notes are convertible at any time exclusively at the option of the note holders or any subsequent holder to ordinary shares of Pulse Health Limited at the conversion price of $0.10 each. The final conversion date was 30 June 2011. The notes pay 10% interest per annum, payable quarterly in arrears on 1st July, October, January and April each year, subject to adjustment in the first quarterly period for date of funds receipt.

These convertible notes are secured by a first fixed and floating charge against Bega Valley Private Hospital Pty Ltd and a secondary fixed and floating charge over the operations of Pulse Health Limited.

Subsequent to year end, all 1,275,000 convertible notes remaining were repaid to note holders on 1 July 2011.

(b) Bank loan

On 22 February 2011, the Company renegotiated its existing facility with National Australia Bank Limited on the following material terms and conditions:

A series of 1st ranking fixed and floating mortgages and charges over the assets and undertaking of Pulse Health Limited (except for Bega Valley Private Hospital Pty Ltd) as well as a series of cross collateralised security including cross guarantee and indemnity supporting the mortgages and charges. 2nd ranking fixed and floating mortgages and charges over the assets and undertaking of Bega Valley Private Hospital Pty Ltd 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 a minimum tangible net worth. The Group did not meet the minimum interest cover ratio in the quarter ended 30 June 2011.

The bank loans are a combination of interest only and a term loan. At year end the term loan had $2,240,000 outstanding and amortises at $40,000 per month. Currently, interest is payable on the Bank and Term loans at a rate of 30 day BBSY + 3.20% (2010: + 3.20%), reset monthly. This rate is subject to quarterly reviews.

The current banking agreement expires in December 2011.

16. Other liabilities

	Consolidated 2011 $000's	Consolidated 2010 $000's
Current		
Government grants	159	147
Other	-	36
Total other current liabilities	159	183

17. Provisions

	Consolidated 2011 $000's	Consolidated 2010 $000's
Non current		
Employee entitlements	305	318
Total non current provisions	305	318

18. Borrowings

	Consolidated 2011 $000's	Consolidated 2010 $000's
Non current		
Secured		
Finance leases	12,233	12,081
Total non current borrowings	12,233	12,081

19. Other liabilities

	Consolidated 2011 $000's	Consolidated 2010 $000's
Non current		
Deferred income (a)	2,551	2,983
Total non current other liabilities	2,551	2,983

(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.

20. Issued capital and share based reserve

	Consolidated	
	2011	2010
	$000's	$000's
(a) Issued and paid-up capital		
271,926,457 (2010: 252,333,221) fully paid ordinary shares	19,867	19,917
(b) Movement in ordinary share capital		
Balance at beginning of year	19,917	12,881
Recognition of deferred tax asset in equity	(71)	197
Issue of shares under employee STI plan	21	
3,500,000 shares issued at 10 cents during capital raising	-	350
101,268,098 shares issued at 6 cents during capital raising	-	6,103
9,333,333 shares issued at 6 cents to convertible note holders opting for conversion to shares	-	560
Fair value adjustment due to early conversion of convertible notes	-	261
Capital raising costs during year	-	(435)
Balance at end of year	19,867	19,917
(c) Share based payments reserve		
Balance at beginning of year	117	171
Add / (deduct):		
Options lapsed	(175)	(113)
Share based payment	99	59
Balance at end of year	41	117

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 2011 is as follows :

Year ended 30 June 2011	**Private Hospitals**	**Community Care**	**Health Recruitment**	**Unallocated**	**Total**
	$ 000's	$ 000's	$ 000's	$ 000's	$ 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**

21. Segment reporting (continued)

Year ended 30 June 2010	Private Hospitals $ 000's	Community Care $ 000's	Health Recruitment $ 000's	Unallocated $ 000's	Total $ 000's
Segment Revenues					
Total segment revenue	30,470	2,008	1,197		**33,675**
Intersegmental Revenue	(61)	-	-		**(61)**
Other revenue	785	15	106	23	**929**
Revenue from external customers	31,194	2,023	1,303	23	**34,543**
Adjusted EBITDA	4,222	313	80	-	**4,615**
Depreciation and amortisation	878	26	10	179	**1,093**
Impairment of goodwill	-	9	455		**464**
Impairment of fixed assets	507	-	-		**507**
Total impairment charge					**971**
Total segment assets	39,241	2,287	752		**42,280**
Additions to non-current assets (other than financial assets and deferred tax)	646	22	9		**677**

(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 2011 $000's	Consolidated 2010 $000's
Adjusted EBITDA from continuing operations	5,481	4,615
Unallocated head office costs	(2,145)	(2,458)
Finance Costs	(2,602)	(2,735)
Depreciation and amortisation	(975)	(1,093)
Impairment Charges	(376)	(971)
Convertible notes expenses	-	(261)
Loss before income tax from continuing operations	**(617)**	**(2,903)**

21. Segment reporting (continued)

(ii) Segment assets

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

	Consolidated	
	2011	2010
	$000's	$000's
Segment assets	41,303	42,280
Unallocated assets:		
Cash	553	783
Trade and other receivables	39	73
Other current assets	18	35
Deferred tax asset	2,587	1,600
Property, plant and equipment	61	77
Total assets as per the balance sheet	**44,561**	**44,848**

22. Loss per share

	Consolidated	
	2011	2010
	$000's	$000's
Earnings used to calculate basic and diluted earnings per share		
Profit / (Loss) from continuing operations	385	(1,395)
Profit / (loss) from discontinued operations	-	84
Profit / (Loss) for the year	385	(1,311)
Weighted average number of shares used as the denominator	**Number**	**Number**
Number for basic and diluted loss per share		
Ordinary shares	251,327,622	205,382,160

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 2011. These options could potentially dilute basic earnings per share in the future.

23. Contingent liabilities

In the event that the share options are not exercised, the option premium reserve (or part thereof for those options not exercised) may become a capital gain for capital gains tax purposes.

24. Notes to the Statement of Cash Flows

	Consolidated	
	2011	2010
	$000's	$000's
(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)	573	858
(b) Reconciliation of net cash flows from operating activities to loss after income tax		
Loss after income tax	385	(1,311)
Depreciation and amortisation	975	1,093
Impairment charges	376	971
Share based payments	99	59
Interest income	(6)	(23)
Interest on finance lease	1,536	1,516
Convertible notes expense	-	261
Fair value adjustment to derivative	-	(198)
Profit on sale of business	-	(120)
Other non operating items in loss after income tax	20	(86)
Net cash used in operating activities before changes in assets and liabilities	3,385	2,162
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase) decrease in trade and other receivables	(482)	(23)
(Increase) in inventories	(22)	(116)
(Increase) decrease in current and deferred tax assets	(1,058)	(1,284)
(Increase) decrease in other operating assets	(1)	204
Increase (decrease) in trade and other payables	13	(565)
Increase (decrease) in deferred tax liabilities	56	8
Increase in provisions	82	(32)
Increase (decrease) in other operating liabilities	(21)	49
Net cash and cash equivalents used in operating activities	1,952	403

25. Events subsequent to balance date

a) Convertible Note Repayment

On 1 July 2011, the Group repaid all convertible notes due on 30 June 2011. No convertible notes were converted.

26. 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 2011

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 Thursday, 27th October 2011.