PULSE HEALTH LIMITED

A.B.N. 69 104 113 760

2009 ANNUAL REPORT

30 JUNE 2009

CORPORATE DIRECTORY

DIRECTORS	Mr Stuart James (Chairman) Dr Barry Landa Mr Andrew Gregory
COMPANY SECRETARY	Mr David Franks
REGISTERED OFFICE	Suite 4, Level 5, Airport Central Tower, 241 O'Riordan St. Mascot, NSW 2020
PRINCIPAL PLACE OF BUSINESS	Suite 4, Level 5, Airport Central Tower, 241 O'Riordan St. Mascot, NSW 2020
SOLICITORS TO THE COMPANY	Access Business Lawyers Level 8, 15 Castlereagh Street Sydney NSW 2000
AUDITOR	PKF Level 10 1 Margaret Street SYDNEY NSW 2000
SHARE REGISTRY	Computershare Investor Services Pty Ltd Level 2 Reserve Bank Building 45 St George's Terrace PERTH WA 6000
INTERNET WEBSITE	www.pulsehealth.net.au

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The directors present their report together with the financial report of Pulse Health Limited (the "Company") and the entities it controlled during the year (the "Group") for the year ended 30 June 2009 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the year are:

Mr Stuart James (Age: 60) **(Appointed 7 November 2007)**
Chairman

Mr Stuart James is an experienced executive within the financial and healthcare sectors. Mr James' past roles included Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formerly State Bank of N.S.W).

Mr James' most recent executive role was as CEO of the Mayne Group from January 2002 to January 2005 and prior to that, from July 2000 was Mayne Group's Chief Operating Officer. Mr James is the Chairman of Prime Financial Group Limited, Balnave Corporate Limited and a director of Wolters Kluwer, and is also a member of the Advisory Board of Gresham Private Equity Limited. In the past three years, Mr James was also a director of Coneco Limited.

Dr John Hewson (Age: 62) **(Appointed 8 May 2007. Resigned 31 March 2009)**
Deputy Chairman

Dr John Hewson is a leading economic and financial expert with experience in academia, business, government, media and the financial system. He has worked as an economist for Australian Treasury (Census and Statistics), the Reserve Bank, and the International Monetary Fund. He was also an advisor to two successive Federal Treasurers and the Prime Minister. Prior to entering politics in 1987, Dr. Hewson was Professor of Economics and Head of the School of Economics at the University of NSW and a company director and business consultant and included roles as Foundation Executive Director, Macquarie Bank Limited and as a Trustee of the IBM Superannuation Fund.

Dr. Hewson's political career, apart from his time as a ministerial advisor, was a further eight years as the Member for Wentworth in the Federal Parliament. He was Shadow Finance Minister, Shadow Treasurer and Shadow Minister for Industry and Commerce and Leader of the Liberal Party and the Federal Coalition in Opposition for four years.

Since leaving politics in 1995, Dr. Hewson has run his own investment banking business and was until December 2004, Member Advisory Council of ABN AMRO, having previously been its Chairman. He was also the Dean of Macquarie Graduate School of Management, Professor of Management and a Director of Moran Healthcare.

Dr. Hewson is currently Chairman Global DC, Pisces Limited and GSA Limited and is involved in various capacities with a range of other companies. He also has a range of charitable responsibilities including as Chairman Arthritis Research Taskforce, Osteoporosis Australia and KidsXpress Limited.

Dr Hewson also writes a regular column in the Australian Financial Review and is a regular commentator on economic and political matters.

In the past three years, Dr Hewson has also held public directorships in Elderslie Finance Corporation Limited, Natural Fuel Limited and Moore Business Systems Australia Limited.

Mr Peter Mangles (Age: 47) **(Appointed 5 August 2006. Resigned 31 August 2009)**
Managing Director and Chief Executive Officer

Mr. Mangles has an extensive background in Health Administration and clinical practice and has worked at a senior level as Chief Executive Officer and Group General Manager for a number of hospitals and groups in Australia. Mr. Mangles is a registered nurse and paramedic with a strong administration and management background.

Mr. Mangles' diverse healthcare experience has seen him operate at a national and international capacity. Mr. Mangles has managed healthcare assets in Indonesia, Irian Jaya and Papua New Guinea for mining and oil companies which include Freeport McMoran, British Petroleum and Chevron Oil.

Mr. Mangles was previously General Manager of the Macquarie Health Corporation and held a number of senior executive positions with Mayne and HCoA as the Director of Nursing and Chief Executive Officer for Kareena, Macarthur and Prince of Wales Private Hospitals. He has also worked in the not-for-profit sector as Chief Executive Officer and a rescue crewman for the Westpac Rescue Helicopter Service.

Mr. Mangles has not been a director of another public company in the past three years.

On 31 August 2009, Mr. Mangles resigned as Managing Director of Pulse Health Limited and its subsidiaries. In accordance withy his employment agreement, Mr. Mangles shall remain as Chief Executive Officer of Pulse Health Limited until 30 November 2009.

Dr Barry Landa (Age: 66) **(appointed 2 May 2006)**
Non- Executive Director

Dr. Landa graduated 1973 MBBS BSc UNSW and practiced anesthetics for 35 years, in the public sector, private sector and internationally. He purchased his first private surgical hospital in 1974 and over the next three years purchased an additional two hospitals, three accommodation hotels in Sydney, and some shopping centres. In the late 1980s he was appointed to the Board of Markalinga Pty Ltd, the first publicly listed private hospital and Pathology Company in Australia, which were the beginnings of the Mayne Health Group. Dr. Landa has, and is, involved in the design and building of acute health care facilities including primary health care centres, operating theatres, hospitals, day care and rehabilitation facilities. Dr. Landa was part of the original working group that established the Private Hospital Association. He has investments in surgical hospitals, accommodation hotels and shopping centres.

Dr. Landa has not been a director of another public company in the past three years.

Mr Trevor Beazley (Age: 40) **(Appointed 1 March 2006. Resigned 29 August 2009)**
Non- Executive Director

Mr. Beazley has a Bachelor of Business Degree major in Accounting with over 10 years' capital markets experience as a client advisor with a national stockbroking firm. He is currently a Managing Director of Maiden Capital Pty Ltd, a boutique corporate advisory firm and Australian Financial Services License holder providing corporate and advisory services to public companies, including capital raising, ASX listings and corporate strategy. Mr. Beazley was in charge of investor relations and capital market management for the Company.

Mr. Beazley is also a director of Vmoto Limited and Coretrack Limited (appointed 13 August 2009).

Mr Andrew Gregory (Age: 57) **(Appointed 15 March 2006)**
Non- Executive Director

Mr. Gregory is an experienced company manager with 35 years' experience in a variety of industries. He has significant experience with ASX listed equities investments and extensive knowledge in both fundamental and financial analysis principles. Mr. Gregory operates his own successful company as well as having experience as a corporate treasurer and is a qualified CPA and a qualified company secretary. He has been active over a 20 year period in providing strategic planning input and seed capital investment to support start-up enterprises. Based in Melbourne, Mr. Gregory will represent the Company in the investment and capital markets in Victoria, Australia.

In the past three years Mr Gregory has held directorships in the listed Coretrack Limited (appointed 4 November 2005 and retired on 29 December 2006) and the unlisted Black Earth Resources Limited (appointed 6 January 2006 and resigned 12 February 2007).

Company Secretary

Mr David Franks (Age: 38) **(Appointed 13 February 2007)**
Company Secretary

Mr Franks (BEc, CA, F Fin, JP) is principal of Franks and Associates Pty Ltd (Chartered Accountants). He is currently company secretary of the following public companies: Allomak Limited, Amerod Exploration Limited, Australian Power and Gas Company Limited, Pulse Health Limited, Solar Sailor Holdings Limited, Van Eyk Research Limited, White Energy Technology Limited and White Energy Company Limited.

Directors' Meetings

The number of directors' meetings held and the number of meetings attended by each of the directors of the Company during the year are:

Director	Board Meetings		Finance & Audit Committee Meetings		Remuneration & Nomination Committee Meetings#	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr Stuart James	20	17	*	*	*	*
Dr John Hewson (a)	13	11	*	*	*	*
Mr Peter Mangles	20	20	3	3	0	0
Mr Trevor Beazley	20	19	3	3	*	*
Mr Andrew Gregory	20	19	*	*	0	0
Dr Barry Landa	20	18	3	2	0	0

* Not a member of the relevant committee.
# No meetings of the Remuneration & Nominations Committee were held during the year.
(a) Dr. Hewson resigned as a director of Pulse Health Limited on 31 March 2009.

During the year ended 30 June 2009, there was no Risk Management Committee as all issues related to these committees are addressed by the full Board. Further details are provided in the Corporate Governance Statement.

Principal Activity

The principal activity of the Group during the year was the acquisition and operation of private hospitals and related health care focused organisations.

Operating Results

The Group and Company incurred a loss of $6,160,482 (2008: $1,121,808) and $6,405,078 (2008: $1,023,370) respectively after income tax for the year.

Review of Operations

In the year ended 30 June 2009, the Group has progressed through its transformation with the following operations and revenue contributions (net of inter-company entries):

Operation	Period Operated	Segment	Revenues Year ended 30 June 2009 $	2008 $
Pulse Health Limited	Year ended 30 June 2008 & 2009	Holding Company	-	183,033
Northside Nursing	From acquisition, 12 August 2007 & year ended 30 June 2009	Community Care	400,867	369,188
Bega Valley Private Hospital Pty Ltd	From acquisition, 26 September 2007 & year ended 30 June 2009	Private Hospital	1,896,866	1,441,898
Recruitment Specialist Group Pty Ltd	From acquisition, 20 November 2007 & year ended 30 June 2009	Recruitment & Locums	1,711,789	1,558,278
Forster Private Hospital Pty Ltd	From acquisition, 7 April 2008 & year ended 30 June 2009	Private Hospital	9,749,438	1,947,278
Gympie Private Hospital Pty Ltd	From acquisition, 7 April 2008 & year ended 30 June 2009	Private Hospital	4,497,852	1,134,531
KPH Hospital Pty Ltd	From acquisition, 7 April 2008 & year ended 30 June 2009	Private Hospital	2,660,873	545,787
North Coast Community Care Pty Ltd	From acquisition, 7 April 2008 & year ended 30 June 2009	Community Care	2,060,993	451,058
Westmead Rehabilitation Hospital	From business combination, 1 November 2008	Private Hospital	8,135,883	-
Total Revenues – continuing operations			**31,114,561**	**7,631,051**
Discontinued operation: Care Call Pty Ltd	Year ended 30 June 2008 & 2009	Community Care	3,701,926	4,567,043
Total Revenues			**34,816,487**	**12,198,094**

Litigation

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

Dividends

No dividend has been declared or paid by the Company to the date of this report and no dividend is recommended in respect of the year ended 30 June 2009.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Group during the year were:

1. **Westmead Rehabilitation Hospital**: On 1 November 2008, Pulse Health Limited entered into a series of lease agreements with an unlisted property trust to lease and operate the Westmead Rehabilitation Hospital, a 60 bed private rehabilitation hospital near Parramatta in NSW.

After Balance Date Events

1. **Convertible Notes:**

   a) On 31 July 2009, the Company repaid the 10,000,000 30 June 2009 maturing convertible notes at $0.20 each, amounting to $2,000,000.

   b) On 31 July 2009, the Company issued 8,250,000 new secured convertible notes with a face value of $0.10 and a conversion rate of $0.10 with a coupon rate of 10% pa payable quarterly in arrears and maturing 30 June 2010, raising $825,000.

2. **Sale of Care On Call Community Care Business**

   On 31 July 2009, the Group sold its Care On Call Community Care business based in Canberra, ACT. The Group sold the business for $850,000 to an unrelated party. The sale price was below its carrying value and consequently a charge of $687,000 before income tax has been made to reflect this.

3. **Issue of Shares and Options**

   On 31 July 2009, the Company issues 3,500,000 ordinary shares to a sophisticated investor at $0.10 per share with a 3 for 4 free attaching option (2,625,000 options) at an exercise price of $0.10 on or before 31 July 2012. This raised $350,000.

Except for the matters stated above, no matters or circumstances has arisen since 30 June 2009 that has significantly affected or may significantly affect:

(a) The Group's operations in future financial years; or

(b) The results of those operations in future financial years; or

(c) The Group's state of affairs in future financial years.

Environmental Issues

The Group's operations are subject to standard environmental regulation under the law of the Commonwealth and State applicable to businesses located in Australia, New South Wales, Queensland and the Australian Capital Territory, including regulations.

The directors are not aware of any breaches by the Group in relation to environmental regulations.

Likely Developments

The Board is currently proceeding with plans to raise additional capital for the Group to permit it to continue its growth strategies and to improve its debt levels.

The Board is currently reviewing a number of potential transactions in the healthcare industry. Disclosure of further information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Options

As at the date of this report, there were 3,125,000 unissued ordinary shares of the Company under option as follows:

Grant Date	Expiry Date	Exercise Price	Number of Options
18 January 2008	1 December 2010	14 cents	500,000
31 July 2009	31 July 2012	10 cents	2,625,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity but must be dealt with in accordance with their terms and conditions and listing rules.

Shares issued on exercise of options

No ordinary shares were issued during the year on exercise of the options granted.

Convertible Notes

As at the date of this report, the following convertible notes were on issue and therefore potential unissued ordinary shares of the Company from convertible notes are:

Expiry Date	Exercise Price	Number of Notes
30 June 2010	10 cents	8,250,000

As disclosed above, these convertible notes were repaid on 31 July 2009.

Remuneration Report

The remuneration report section of the director's report outlines the remuneration arrangements in place for directors and executives of the Group.

Remuneration Philosophy

The performance of the Group depends upon the quality of its directors and executives. The Group's main business is providing services in the private health care and hospital market with a commitment to the provision of improved patient care and stakeholder involvement. To prosper the company must attract, motivate and retain highly skilled directors and executives.

For the year ended 30 June 2009, no performance guidelines have been set for management performance remuneration.

Directors' and Senior Executives' Remuneration

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Board members and senior executives of the Company. Broadly, the Group's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive in attracting, retaining and motivating people of the highest quality.

Non - Executive Director Remuneration

To achieve these competing objectives the non-executive board are remunerated. The remuneration basis was ratified at a shareholders general meeting with a combined amount not to exceed $500,000 per annum pro rata between the directors on a quarterly basis.

The current Director fee rates are outlined below:

	2009	**2008**
Chairman	$50,000 pa + 9% superannuation	$50,000 pa + 9% superannuation
Deputy Chairman	$40,000 pa + 9% superannuation	$40,000 pa + 9% superannuation
Non-executive Director	$40,000 pa + 9% superannuation	$40,000 pa + 9% superannuation

Employment and Consulting Contracts

During the year a contract had been entered with Brian Hill (Executive Manager – Recruitment). The board has approved a remuneration package of $135,000 per annum (plus superannuation at a rate of 9%). Mr Hill commenced employment with the Company on 25 August 2008 and ceased employment effective 1 March 2009.

In 2008, contracts were entered into with Peter Mangles (Chief Executive Officer and Managing Director), and David Franks (Company Secretary), Philip Symon (Chief Financial Officer) and David Bromfield (Executive Manager – Workforce Services). The board has approved a remuneration package for each generally comprising:

(a) $275,000 per annum (plus superannuation at a rate of 9%) for Peter Mangles;

(b) an hourly rate of $150 (excluding GST) payable to Franks & Associates Pty Ltd (Chartered Accountants) for David Franks. During the year a total of $89,879 (excluding GST) was paid or payable to Franks & Associates Pty Ltd;

(c) $150,000 per annum (plus superannuation at a rate of 9%) for Philip Symon; and

(d) $150,000 per annum (plus superannuation at a rate of 9%) for David Bromfield.

Share options may be offered pursuant to the Pulse Health Limited Employee Option Plan Terms and Conditions and exercised according to the plan.

Details of the nature and amount of each major element of the remuneration of each Director, key management personnel and other executives of the Company and Group during the year are:

2009	Salary & fees $	Other fees $	Share Based Payments $	Super-annuation contributions $	Termination & Retirement benefits $	Total $
Directors						
Non executive						
Mr Stuart James	50,000	-	-	4,500	-	54,500
Dr John Hewson (a)	30,000	-	-	2,700	-	32,700
Mr Trevor Beazley (b)	40,000	-	-	3,600	-	43,600
Mr Andrew Gregory	40,000	-	-	3,600	-	43,600
Dr Barry Landa	40,000	-	-	3,600	-	43,600
Executive						
Mr Peter Mangles^(c)	275,000	-	113,400	24,750	-	413,150
Other key management personnel of the Group						
Mr Philip Symon(d)	150,000	-	-	13,500	-	163,500
Mr David Bromfield (e)^	34,487	-	-	2,437	11,538	48,462
Mr Brian Hill (f)^	71,854	-	-	6,215	11,250	89,319

^ denotes one of the 5 highest paid relevant executives of the Company and Group, as required to be disclosed under the Corporations Act 2001.

(a) Dr John Hewson resigned as a director of Pulse Health Limited on 31 March 2009.

(b) Mr Trevor Beazley resigned as a director of Pulse Health Limited on 29 August 2009.

(c) Mr. Peter Mangles resigned as the Managing Director of Pulse Health Limited and its subsidiaries on 31 August 2009. In accordance with his employment agreement, Mr. Mangles shall remain as Chief Executive Officer of the Group until 30 November 2009.

(d) Mr. Philip Symon submitted his resignation as Chief Financial Officer of Pulse Health Limited on 13 August 2009. In accordance with his employment agreement, Mr. Symon shall remain employed until 12 November 2009.

(e) Mr David Bromfield resigned from the company, effective 5 September 2008.

(f) Mr Brian Hill was appointed as Executive Manager – recruitment on 25 of August 2008. He resigned from the company, effective 1 March 2009.

Performance Related Remuneration

The relative proportion of remuneration that are linked to performance is Nil (2008: Nil).

2008	Salary & fees $	Other fees $	Share Based Payments $	Super-annuation contributions $	Termination & Retirement benefits $	Total $
Directors						
Non executive						
Mr Stuart James (appointed 7 November 2007)	30,847	-	24,000	2,776	-	57,623
Dr John Hewson	45,000	-	18,000	4,050	-	67,050
Mr Trevor Beazley	40,000	-	-	3,600	-	43,600
Mr Andrew Gregory	40,000	-	-	3,600	-	43,600
Dr Barry Landa	40,000	-	-	3,600	-	43,600
Executive						
Mr Peter Mangles^	266,167	-	-	23,955	-	290,122
Other key management personnel of the Group						
Mr Philip Symon (from 7 August 2007)^	134,274	-	-	12,085	-	146,359
Mr David Bromfield (from 20 November 2007)^	84,590	-	-	8,198	-	92,788

Share based compensation

Options

In accordance with the general meeting of the Company on 26 March 2008, approval was given to advance Mr. Peter Mangles a sum of $250,000 for the purpose of acquiring shares in the Company in a placement. The material terms of the loan were as follows:

1. The purpose of the loan is to fund Mr Mangles' subscription for shares at an issue price of $0.14 each
2. The amount of loan is $250,000
3. The $250,000 will be repayable on or before that date which is five years from the date of the Share subscription or if Mr Mangles ceases to be an employee of the Company, whichever is earlier
4. The loan will be interest free
5. The Loan will be unsecured and Mr Mangles liability will be limited to the value of the Loan shares
6. The Loan shares will be subject to a holding lock until the Loan is repaid; and
7. Dividends received on the Loan shares will be treated as follows
   - all dividends will be paid at the top marginal tax rate less any imputation credits ; and
   - the balance will be used to pay of the Loan

For accounting purposes the granting of the loan was treated as a share based payment, resulting in the recognition of a share based payment amount of $113,400 and has been shown in the remuneration table above. Mr. Mangles resigned as the Managing Director and CEO of the Company on 31 August 2009. Disposition of these shares or loan repaid should be concluded soon after Mr. Mangles concludes his notice period of his resignation as CEO, being 30 November 2009.

The model inputs for the option granted during the previous year was as follows

a. Exercise price - $0.14
b. Grant date – 26 March 2008
c. Expiry date – 26 March 2013
d. Share price at grant date -$0.14
e. Expected price volatility of the Company's shares : 60%

f. Expected dividend yield : 0.00%
g. Risk-free interest rate: 6.1%

Apart from the above, no options over shares in the Company were granted during the year.

The following options were issued to directors or executive officers of the Company in the previous year as remuneration:

Name		Options Granted during year*	Options vested during year	Exercise Price	Expiry	Value Per Option $
Directors of Pulse Health Limited						
Mr Stuart James	2008	2,000,000	2,000,000	$0.20	31 March 2009	0.012
Dr John Hewson	2008	1,500,000	1,500,000	$0.20	31 March 2009	0.012
Mr Peter Mangles	2008	-	500,000	$0.20	31 March 2009	-

* Options grant date – 26 March 2008.

Shares provided on exercise of remuneration options

No ordinary shares were issued during the year as a result of exercise of the remuneration option granted in the previous year.

Directors' Interests

The relevant interest of each director in the Company's shares and options at the date of this report is as follows:

Director	*Shares*	*Options*	*Convertible Notes*
Mr Stuart James	2,142,857	-	-
Mr Andrew Gregory	2,903,571	-	2,000,000*
Dr Barry Landa	3,871,250	-	-

* Represents convertible notes issued 31 July 2009 at a conversion rate of 10 cents per note with a yield of 10% per annum and maturing 30 June 2010.

Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify all current and former directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

An Insurance policy which indemnifies the company and its directors and officers from any liability arising out of performing their role as a director of Pulse Health Limited was extended from previous year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by Section 307C of the Corporations Act 2001 is set out on page 12.

Non Audit Services

The following non audit services were provided by the entity's auditor, PKF. The directors are satisfied that the provision of non audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non audit service provided means that auditor independence was not compromised. PKF received or are due to receive the following amounts for provision of non audit services.

Taxation and acquisition advice	$16,500

Signed in accordance with a resolution of the directors:

Chairman

Sydney, New South Wales
30 September 2009

Chartered Accountants
& Business Advisers

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Auditor's Independence Declaration

As lead auditor for the audit of Pulse Health Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pulse Health Limited and the entities it controlled during the year.

PKF

Grant Saxon
Partner

30 September 2009

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CORPORATE GOVERNANCE STATEMENT

Pulse Health Limited (**Company**) and its board are committed to achieving and demonstrating the highest standards of corporate governance. An extensive review of the Company's corporate governance framework was completed in September 2009 in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in August 2007. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and/or Chief Executive Officer and senior executives as set out in the Group's delegations policy. These delegations are reviewed on an annual basis.

A description of the Company's main corporate governance practices is set out below. The corporate governance statement was updated on 30th September 2009.

<u>The board of directors</u>

The board operates in accordance with the broad principles set out below.

Board composition

The composition of the board is based upon:

- The board is to be comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management;
- in recognition of the importance of independent views and the board's role in supervising the activities of management, the Chairman must be an independent non-executive director, the majority of the board must be independent of management and all directors are required to bring independent judgement to bear in their board decision making;
- the Chairman is elected by the full board and is required to meet regularly with the Managing Director and/or Chief Executive Officer;
- the Company is to maintain a mix of directors on the board from different backgrounds with complementary skills and experience;
- The board is required to undertake an annual board performance review and consider the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the Group.

The Board composition presently comprises an independent non-executive Chairman (Mr James) and two non-executive directors (Mr Gregory and Dr Landa). The Board composition at 30 June 2009 prior to recent changes comprised an independent non-executive Chairman (Mr James), an executive Managing Director (Mr Mangles) and three non-executive directors (Mr Gregory, Dr Landa and Mr Beazley).

Responsibilities

The responsibilities of the board include:

- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy;

- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring:
  - The group's capital structure;
  - organisational performance and the achievement of the Group's strategic goals and objectives;
  - compliance with the Company's Code of Conduct;
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Group's auditors;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- Overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

Board members

Details of the members of the board, their experience, expertise, qualifications, term of office and independent status are set out in the directors' report under the heading "Directors' Details". . As at the date of this report, there are 3directors, all of whom are non-executive directors, and all of whom are deemed independent under the principles set out below.

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group;
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

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

Non-executive directors

The non-executive directors met during the 2009 financial year, in scheduled sessions without the presence of management, to discuss the operation of the board and a range of other matters. Relevant matters arising from these meetings were shared with the full board.

Term of office

The Company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election.

Chairman and Chief Executive Officer (CEO)

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the Company's senior executives.

The CEO is responsible for implementing Group strategies and policies.

The board charter has specified that these are separate roles to be undertaken by separate people.

Commitment

The board held 20 board meetings during the 2009 year.

Non-executive directors are expected to spend at least 40 days a year preparing for and attending board and committee meetings and associated activities.

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30th June 2009, and the number of meetings attended by each director is disclosed in the Directors' Report.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the board. No appointments of this nature were accepted during the year ended 30 June 2009.

The commitments of non-executive directors are considered by the nomination committee prior to the directors' appointment to the board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Conflict of interests

Entities connected with Mr James had business dealings with the Group during the 2009 year, as described in 2009 Financial Report. In accordance with the board charter, the directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions.

Independent professional advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance assessment

The board undertakes an annual self assessment of its collective performance, the performance of the Chairman and of its committees. Management are invited to contribute to this appraisal process which may be facilitated by an independent third party. The results and any action plans are documented together with specific performance goals which are agreed for the coming year.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment.

Corporate reporting

The board considers that in respect of the 2009 Financial Report:

- the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Board committees

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the nomination/remuneration and audit/finance committees. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each committee has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis. All matters determined by committees are submitted to the full board as recommendations for board decisions.

Minutes of committee meetings are tabled at the subsequent board meeting. Additional requirements for specific reporting by the committees to the board are addressed in the charter of the individual committees.

In addition, the function of the Risk Committee are carried out at a full board level.

Nomination and Remuneration committee

The nomination and remuneration committee at 30 June 2009 comprised Mr Andrew Gregory (Chairman), Dr Barry Landa and Mr Peter Mangles. As at the date of this report, the committee comprises Andrew Gregory (Chairman), Dr Barry Landa and Mr Stuart James.
Details of these directors' attendance at remuneration committee meetings are set out in the directors' report in the 2009 Financial Report.

The nomination and remuneration committee operates in accordance with its charter. The main responsibilities of the committee are to:

- conduct an annual review of the membership of the board having regard to present and future needs of the Company and to make recommendations on board composition and appointments;
- conduct an annual review of and conclude on the independence of each director;
- propose candidates for board vacancies;
- oversee the annual performance assessment program;
- oversee board succession including the succession of the Chairman; and
- assess the effectiveness of the induction process.

When a new director is to be appointed, the committee reviews the range of skills, experience and expertise on the board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants.

The full board appoints the most suitable candidate who must stand for election at the next annual general meeting of the Company. The committee's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the board and Company.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their employment. All new directors participate in a formal induction program which covers the operation of the board and its committees and financial, strategic, operations and risk management issues.

The nomination and remuneration committee operates in accordance with its charter. The nomination and remuneration committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. Senior executives are reviewed through a formal process of evaluation through the remuneration committee.

Further information on directors' and executives' remuneration is set out in the directors' report under the heading Remuneration Report in the Directors' Report.

The nomination and remuneration committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction is in compliance with the Corporations Act 2001 and is appropriately disclosed.

The committee also assumes responsibility for management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Audit and finance committee

The audit and finance committee at 30 June 2009 comprised Mr Trevor Beazley (Chairman), Dr Barry Landa and Mr Peter Mangles. As at the date of this report, the committee comprises Andrew Gregory (Chairman), Dr Barry Landa and Mr Stuart James.

Details of these directors' qualifications are set in the directors' report in the 2009 Financial Report and attendance at audit and finance committee meetings are set out in the directors' report in the 2009 Financial Report.

The audit and finance committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The audit and finance committee operates in accordance with a charter. The main responsibilities of the committee are to:

- review, assess and approve the annual full and concise reports, the half-year financial report and all other financial information published by the Company or released to the market;
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting;
  - compliance with applicable laws and regulations;
- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, and assess its performance, including independence;
- oversee the effective operation of the risk management framework;
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit and finance committee:

- receives regular reports from management, the internal and external auditors;
- meets with the internal and external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the CEO and CFO (upon appointment) have in place to support their certifications to the board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors at least twice a year without the presence of management; and
- provides the internal and external auditors with a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the board.

The audit and finance committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and Notes to the 2009 Financial Report. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

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

Risk management committee

The risk management committee is presently carried out at the full board level.

The risk management committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the board actively promotes a culture of quality and integrity.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

In addition, the board requires that each major proposal submitted to the board for decision is accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

The environment, health and safety

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. The Company:

- monitors its compliance with all relevant legislation;
- continually assesses and improves the impact of its operations on the environment;
- encourages employees to actively participate in the management of environmental and OH&S issues;
- works with trade associations representing the Group's businesses to raise standards;
- uses energy and other resources efficiently, and
- encourages the adoption of similar standards by the Group's principal suppliers, contractors and distributors.

Information on compliance with significant environmental regulations is set out in the directors' report in the 2009 Financial Report.

Communication and Disclosure

The Company has a Disclosure and Communication Policy and a Disclosure and Materiality Guideline. These policies ensure timely and balanced disclosure of material matters concerning the Company. The policy provides that the Company must immediately disclose to the market any information concerning the company that a reasonable person would expect to have a material effect on the price or value of the Company's securities. Disclosure of any such price sensitive information is not required where:

- a reasonable person would not expect the information to be disclosed;
- the information is confidential and the ASX has not taken a contrary view;
- one or more of the following applies:
- it would be a breach of law to disclose the information;
- the information concerns an incomplete proposal or negotiation;
- the information comprises matters of supposition or is insufficiently definite;
- the information is generated for internal management purposes;
- the information is a trade secret.

Senior Management is responsible for monitoring all information regarding the Company's day to day activities and if a potential disclosure obligation arises, senior management is to report to the Chairman and/or CEO who will determine whether disclosure to the ASX is required.

The Company's Policy outlines the procedures in place to ensure effective communication with Shareholders. The Company seeks to ensure that shareholders are well informed of the Company's activities. The Company communicates with shareholders through annual, half yearly and quarterly reports, ASX releases, general meetings and the Company's website. The Company encourages shareholder participation at general meetings.

Code of Conduct

The Group has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies.

The purchase and sale of Company securities by directors and employees is only permitted as outlined in the Share Trading Policy.

The Code and the Group's Share Trading Policy are discussed with each new employee as part of their induction training and all employees are asked to sign an annual declaration confirming their compliance.

The Code requires employees who are aware of unethical practices within the Group or breaches of the Group's trading policy to report these. This can be done anonymously.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

A copy of the Share Trading Policy is available on the Group's website.

ASX CGC's Best Practice Recommendations		
Principle 1	**Lay Solid Foundations for Management and Oversight**	
1.1	Formalise the functions reserved to the Board and those delegated to senior executives and disclose those functions	Comply
1.2	Disclose the process for evaluating the performance of senior executives.	Comply
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Partially comply. Formal evaluations not completed for senior executives in year.
Principle 2	**Structure the Board to Add Value**	
2.1	A majority of the board should be independent directors	Comply
2.2	The chair should be an independent director	Comply
2.3	The role of the chair and chief executive officer should not be exercised by the same individual	Comply
2.4	The Board should establish a nomination committee	Comply
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Comply
Principle 3	**Promote Ethical and Responsible Decision-Making**	
3.1	Establish a code of conduct and disclose the code or a summary as to: The practices necessary to maintain confidence in the Company's integrity. The practices necessary to take into account the legal obligation and the expectations of their stakeholders. The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees	Comply
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	Comply

Principle 4	**Safeguard Integrity In Financial Reporting**	
4.1	The Board should establish an audit committee	Partially comply, due to size of Company and board, the committee is conducted at a full board level
4.2	Structure the audit committee so that it consists of; • Only non-executive directors • A majority of independent directors • An independent chair, who is not chair of the Board • At lease three members	 Comply Comply Comply Comply
4.3	The audit committee should have a formal charter	Comply
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Comply
Principle 5	**Make Timely and Balanced Disclosure**	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary	Comply
5.2	Provide the information indicated in the Guide to reporting on Principle 5	Comply
Principle 6	**Respect the Rights of Shareholders**	
6.1	Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation general meetings and disclose a summary of the policy	Comply
6.2	Provide the information indicated in the Guide to reporting on Principle 6	Comply

Principle 7	Recognise and Manage Risk	
7.1	Establish policies on risk oversight and management and disclose a summary of those policies	Comply
7.2	The Board should require management to design, assess, monitor and review the risk management and internal control framework in place to manage the company's material business risks. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks and whether the board is satisfied that those risks are being managed in accordance with the company's risk appetite.	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound framework of risk management and internal compliance and control and that the framework is operating effectively in all material respects.	Comply
7.4	Provide the information indicated in the Guide to reporting on Principle 7	Comply
Principle 8	**Remunerate Fairly and Responsibility**	
8.1	The Board should establish a remuneration committee	Comply
8.2	Clearly distinguish the structure of non-executive directors remuneration from that of executive directors and senior executives	Comply
8.3	Provide the information indicated in the Guide to reporting on Principle 8	Comply

PULSE HEALTH LIMITED
ABN 69 104 113 760

Annual financial report

30 June 2009

Contents

This financial report covers both the separate financial statements of Pulse Health Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Pulse Health Limited and its subsidiaries. The financial report is presented in the Australian currency.

Pulse Health Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Pulse Health Limited
Suite 4, Level 5, Airport Central Tower
241 O'Riordan Street
Mascot NSW 2020

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which are not part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2009. The directors have the power to amend and reissue the financial report.

Through the use of the internet, the Company has ensured that the corporate reporting is timely and complete. All press releases, financial reports and other information are available at the Investors section on the Company's website: www.pulsehealth.net.au.

pulsehealth
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INCOME STATEMENTS
for the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Revenue from continuing operations	3	31,114,561	7,631,051	1,828,059	997,454
Total revenue from continuing operations		**31,114,561**	**7,631,051**	**1,828,059**	**997,454**
Expenses from continuing operations					
Employee benefits expense		19,623,609	5,658,417	1,473,883	1,131,830
Consultants – non medical		325,538	220,044	184,332	169,518
Direct medical supplies	4	4,049,407	1,156,948	-	-
Depreciation	4	417,675	103,864	23,811	11,118
Impairment of intangible assets	4,16	2,915,111	-	-	-
Amortisation of intangible assets	4,16	259,601	-	-	-
Provision for impairment – loans to subsidiaries	13,33	-	-	3,602,111	-
Finance costs	4	2,262,469	617,115	1,264,934	608,812
Interest hedge expense	4	375,031	(35,698)	375,031	(35,698)
Premises rents	4	1,484,437	327,182	114,137	62,318
Corporate compliance costs		166,420	193,134	165,784	193,134
Repairs and maintenance		593,732	172,761	787	-
Legal fees		37,779	34,356	28,264	34,356
Insurance		190,495	122,899	17,701	15,308
Due diligence/acquisition cancellation costs		82,380	107,326	82,380	107,326
Other expenses		3,288,715	831,606	404,008	218,455
Total expenses from continuing operations		36,072,399	9,509,954	7,737,163	2,516,477
Loss from continuing operations before income tax		(4,957,838)	(1,878,903)	(5,909,104)	(1,519,023)
Income tax credit/(expense)	6	(898,486)	489,583	(495,974)	495,653
Loss from continuing operations after income tax		(5,856,324)	(1,389,320)	(6,405,078)	(1,023,370)
Profit (loss) from discontinued operations	12	(304,158)	267,512	-	-
Loss for the year		(6,160,482)	(1,121,808)	(6,405,078)	(1,023,370)
Overall Operations					
Basic and diluted loss per share (cents per share)	28	(4.5)	(1.1)		
Continuing Operations					
Basic and diluted loss per share (cents per share)	28	(4.3)	(1.4)		
Discontinued Operations					
Basic per share (cents per share)	28	(0.2)	0.3		

The income statements are to be read in conjunction with the accompanying notes.

BALANCE SHEETS

as at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
CURRENT ASSETS					
Cash and cash equivalents	7	29,309	592,131	200	200
Trade and other receivables	8	4,595,077	3,652,928	3,060,387	1,103,823
Inventories	9	469,150	317,514	-	-
Derivative financial instruments	10	-	35,698	-	35,698
Current tax assets		118,649	132,699	-	-
Other current assets	11	27,547	40,562	27,547	40,562
		5,239,732	4,771,532	3,088,134	1,180,283
Assets of disposal group classified as held for sale	12	681,611	-	-	-
Total Current Assets		5,921,343	4,771,532	3,088,134	1,180,283
NON CURRENT ASSETS					
Trade and other receivables	13	-	250,000	22,644,405	28,483,908
Property, plant and equipment	14	11,411,906	10,859,798	242,503	153,946
Financial assets	15	-	-	2,000,200	200
Deferred tax assets	6	-	990,047	-	742,746
Intangible assets	16	27,499,328	18,806,057	-	16,901
Total Non Current Assets		38,911,234	30,905,902	24,887,108	29,397,701
TOTAL ASSETS		44,832,577	35,677,434	27,975,242	30,577,984
CURRENT LIABILITIES					
Trade and other payables	17	4,848,630	2,437,348	6,737,955	2,624,156
Provisions	18	1,218,755	1,255,698	111,884	58,305
Borrowings	19	17,652,109	16,581,593	16,254,537	16,445,036
Derivative financial instrument	10	197,993	-	197,993	-
Other liabilities	20	408,191	565,686	-	-
		24,325,678	20,840,325	23,302,369	19,127,497
Liabilities of disposal group classified as held for sale	12	29,671	-	-	-
Total Current Liabilities		24,355,349	20,840,325	23,302,369	19,127,497

The balance sheets are to be read in conjunction with the accompanying notes.

BALANCE SHEETS

as at 30 June 2009 (continued)

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
NON CURRENT LIABILITIES					
Provisions	21	738,837	319,257	30,096	20,260
Borrowings	22	11,884,600	9,053	-	-
Deferred tax liabilities	6	-	66,656	-	24,298
Other liabilities	23	3,066,388	3,136,184	-	-
Total Non Current Liabilities		15,689,825	3,531,150	30,096	44,558
TOTAL LIABILITIES		40,045,174	24,371,475	23,332,465	19,172,055
NET ASSETS		**4,787,403**	**11,305,959**	**4,642,777**	**11,405,929**

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
EQUITY					
Issued capital	24(b)	12,881,393	13,352,867	12,881,393	13,352,867
Share based reserve	24(c)	170,893	685,425	170,893	685,425
Accumulated losses		(8,264,883)	(2,732,333)	(8,409,509)	(2,632,363)
TOTAL EQUITY		**4,787,403**	**11,305,959**	**4,642,777**	**11,405,929**

The balance sheet is to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2009

CONSOLIDATED	Issued capital	Accumulated losses	Share based reserve	Total equity
	$	$	$	$
Balance at 30 June 2007	2,186,526	(1,610,525)	585,932	1,161,933
Loss for the year	-	(1,121,808)	-	(1,121,808)
Total recognised loss for the year	-	(1,121,808)	-	(1,121,808)
Shares issued in public offer	10,862,001	-	-	10,862,001
Shares issued to directors	750,000	-	-	750,000
Options issued to existing option holders	-	-	57,493	57,493
Share based payment	-	-	42,000	42,000
Capital raising costs	(667,134)	-	-	(667,134)
Deferred tax asset on capital raising costs	221,474	-	-	221,474
Balance at 30 June 2008	**13,352,867**	**(2,732,333)**	**685,425**	**11,305,959**
Balance at 30 June 2008	13,352,867	(2,732,333)	685,425	11,305,959
Loss for the year	-	(6,160,482)	-	(6,160,482)
De-recognition of deferred tax assets previously credited to equity	(221,474)	-	-	(221,474)
Total recognised loss for the year	(221,474)	(6,160,482)	-	(6,381,956)
Options lapsed	-	627,932	(627,932)	-
De-recognition of financial asset on recognition of share based payment (a)	(250,000)	-	-	(250,000)
Share based payment for options issued in March 2008 (a)	-	-	113,400	113,400
Balance at 30 June 2009	**12,881,393**	**(8,264,883)**	**170,893**	**4,787,403**

(a) Refer to note 36

The statements of changes in equity are to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2009 (continued)

PARENT	Issued capital	Accumulated losses	Share based reserve	Total Equity
	$	$	$	$
Balance at 30 June 2007	2,186,526	(1,608,993)	585,932	1,163,465
Loss for the year	-	(1,023,370)	-	(1,023,370)
Total recognised loss for the year	-	(1,023,370)	-	(1,023,370)
Shares issued in public offer	10,862,001	-	-	10,862,001
Shares issued to directors	750,000	-	-	750,000
Options issued to existing optionholders	-	-	57,493	57,493
Share based payment	-	-	42,000	42,000
Capital raising costs	(667,134)	-	-	(667,134)
Deferred tax asset on capital raising costs	221,474	-	-	221,474
Balance at 30 June 2008	**13,352,867**	**(2,632,363)**	**685,425**	**11,405,929**
Balance at 30 June 2008	13,352,867	(2,632,363)	685,425	11,405,929
Loss for the year	-	(6,405,078)	-	(6,405,078)
De-recognition of deferred tax assets previously credited to equity	(221,474)	-	-	(221,474)
Total recognised loss for the year	(221,474)	(6,405,078)	-	(6,626,552)
Expiry of options issued	-	627,932	(627,932)	-
De-recognition of financial asset on recognition of share based payment (a)	(250,000)	-	-	(250,000)
Share based payment for options issued in March 2008 (a)	-	-	113,400	113,400
Balance at 30 June 2009	**12,881,393**	**(8,409,509)**	**170,893**	**4,642,777**

(a) Refer to note 36

The statements of changes in equity are to be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

for the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Cash flows from operating activities					
Receipts from customers (incl GST)		34,180,779	11,554,862	-	18,684
Payment to suppliers and employees (incl GST)		(32,181,608)	(11,503,040)	(2,188,843)	(2,462,529)
		1,999,171	51,822	(2,188,843)	(2,443,845)
Income tax paid		(38,260)	(101,278)	-	-
Interest paid		(1,417,420)	(464,678)	(1,416,282)	(452,915)
Government grants		432,963	352,293	-	-
Net cash from (used in) operating activities	34(b)	976,454	(161,841)	(3,605,125)	(2,896,760)
Cashflow from investing activities					
Payments for purchase of subsidiary/businesses		(74,621)	(23,484,804)	(74,621)	-
Loans from/(to) related parties		-	-	3,947,116	(21,710,941)
Payments for plant and equipment		(547,251)	(435,604)	(81,497)	(61,770)
Interest received		16,972	194,676	4,626	186,831
Net cash used in investing activities		(604,900)	(23,725,732)	3,795,624	(21,585,880)
Cash flows from financing activities					
Proceeds from the issue of shares		-	10,754,892	-	10,754,892
Share issue costs		-	(578,687)	-	(578,687)
Finance lease payments		(848,355)	(62,715)	-	-
Proceeds from borrowings		-	14,887,500	-	14,887,500
Repayment of borrowings		(480,000)	(2,170,000)	(480,000)	(2,170,000)
Payments for borrowing cost		-	(28,589)	-	(28,589)
Net cash provided by financing activities		(1,328,355)	22,802,401	(480,000)	22,865,116
Net increase/(decrease) in cash and cash equivalents		(956,801)	(1,085,172)	(289,501)	(1,617,524)
Cash and cash equivalents beginning of the financial year		127,095	1,212,267	(464,836)	1,152,688
Cash and cash equivalents end of the financial year	7(a)	**(829,706)**	**127,095**	**(754,337)**	**(464,836)**

The cash flow statement is to be read in conjunction with the accompanying notes.

1. Statement of significant accounting policies

The financial report is general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of Pulse Health Limited and controlled entities and Pulse Health Limited as an individual parent entity. Pulse Health Limited is a listed public company, incorporated and domiciled in Australia.

Compliance with IFRS

The financial report of Pulse Health Limited and its' subsidiaries, and Pulse Health Limited as an individual parent entity, complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS).

Going Concern Basis

The consolidated entity and parent entity recorded losses for the year after tax of $6,160,482 (2008: $1,121,808) and $6,405,078 (2008: $1,023,270) respectively. As at year end, the current liabilities of the consolidated entity exceeded current assets by $18,404,335 (2008 $16,068,793) and the current liabilities of the parent entity exceeded current assets by $20,214,235 (2008: 17,947,214). In addition, the parent entity was in technical breach of its banking covenants during the year. These conditions indicate a material uncertainty that may cast significant doubt about the parent entity's and the consolidated entity's ability to continue as a going concern.

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The directors believe this basis to be appropriate based on a number of initiatives that have been put in place as outlined in Note 35 Events Subsequent to Balance Date (relating to the sale of the Care on Call business, repayment on convertible notes, issuance of convertible notes and the raising of $350,000 in a share placement). In addition, the company has commenced the process of selling the Gympie Private Hospital land and buildings in a sale and leaseback transaction and is in the advanced stages of raising additional share capital, the proceeds of which will be partially used to retire debt, enabling the renewal of facilities.

These initiatives are part of an overall plan undertaken by the Company to enable it to expand to a sustainable size, whilst allowing the repayment of some debt. The Company had originally planned to undertake a capital raising earlier in the financial year, however, with the advent of the "Global Financial Crisis" and the consequential negative impact on capital markets, these plans had to be delayed. The directors believe that discussions with brokers are now sufficiently advanced so that the company will meet its ongoing obligations and business objectives.

Should the consolidated entity and the parent entity be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity and the parent entity be unable to continue as going concerns.

Reporting Basis and Conventions

The financial report has been prepared on an accrual basis and is based on historical cost modified by the revaluation of financial assets and financial liabilities for which fair value basis of accounting has been applied. The financial report has been presented in Australian dollars which is the reporting currency of the Group.

1. Statement of significant accounting policies (continued)

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Pulse Health Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 26 to the financial statements. All controlled entities have a June financial year end.

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of Pulse Health Limited.

(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. For the year ended 30 June 2009, these benefits have not been recognised and previously recognised benefits have been de-recognised.

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

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographic segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those operating in other economic environments.

(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.

1. Statement of significant accounting policies (continued)

(e) Property, Plant and Equipment (continued)

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:

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 balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 recoded 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.

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 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.

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.

1. Statement of significant accounting policies (continued)

(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.

(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 on monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, 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.

(j) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are required. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, it is their published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

1. Statement of significant accounting policies (continued)

(j) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of

the identifiable net assets acquired are recorded as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

(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 income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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. 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 income statement. 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.

(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.

1. Statement of significant accounting policies (continued)

(iii) Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company 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 changed 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 equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after 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.

(p) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance 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 benefit will result and that outflow can be reliably measured.

1. Statement of significant accounting policies (continued)

(r) Share Based Payments

Share-based compensation benefits are provided to 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 income statement 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 income statement 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 discharges, 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 other expenses.

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 balance sheet 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.

1. Statement of significant accounting policies (continued)

(v) Issued capital

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) Disclosure of New Accounting Standards

Certain new accounting standards and interpretation have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.

1. Statement of significant accounting policies (continued)

(z) Disclosure of New Accounting Standards (continued)

(ii) AASB 3 Business Combinations (Amended)

AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the underlying net assets. The revised standard which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial report. The Group has not yet determined the potential effect of the accounting standard on the Group's 2010 results.

(iii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8:

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not adopted AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect and of the amounts recognised in the financial statements.

(iv) Revised AASB 123 Borrowing Costs:

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition. Construction or production of a qualifying asset. There will be no impact on the Group as the Group already capitalises borrowing costs relating to qualifying assets.

(v) AASB 127 Consolidated and Separate Financial Statements (Amended:)

AASB 127 (revised) changes the way in which an entity will account for Consolidated and Separate Financial Statements.

Key changes include: the remeasurement to fair value of any previous / retained investment when control is obtained / lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders. The group has not adopted the standard early and will have no effect on the amounts recognised in the financial statements.

(vi) AASB 2008-5 Amendment to Australian Accounting Standards arising from the Annual Improvements Process and 2005-6:

Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements

(vii) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment Vesting Conditions and Cancellations:

AASB 2008-1 changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

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. Refer to note 16 for details of these assumptions and the potential impact of changes to the 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 Financial risk management

The Group's activities expose it to a variety of financial risk: interest rate risk (market risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are used for hedging purposes exclusively. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk.

The Group's financial instruments consist mainly of deposits and loans with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value.

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2009 the Group's bank debt is variable and its leasing debt is fixed. It is the policy of the Group to assess each circumstance when taking on debt. Interest rate risk is also managed through interest rate swap instruments that have been put in place (see Derivative financial instruments note 10). At 30 June 2009 approximately 48% of the Group's bank debt has been fixed using an interest rate swap.

2 Financial risk management (continued)

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2009		30 June 2008	
	Weighted Average Interest Rate	Balance $	Weighted Average Interest Rate	Balance $
Bank overdrafts and bank loans	6.782 %	14,359,015	8.597 %	14,445,036
Interest rate swaps (notional principal amount)	2.60%	6,450,000	(0.2563)%	6,450,000

An analysis by maturities is provided below.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

Interest rate sensitivities

The Group and parent entity's main interest rate sensitivity exposure relates to its variable rate bank borrowings. Had the interest rate been +/- 100 basis points, with all other things being equal and taking account of hedging in place, post-tax loss would have been approximately $79,294 higher/lower (2008 – $16,400) taking note of the timeframe for which the borrowings were outstanding.

Credit risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. Credit risk is managed on a Group basis.

The Group has policies in place to ensure that sales of rendering services are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any one entity. The compliance with credit limits is regulatory monitored by line management.

The average credit period on sale of rendering services is approximately 30 days, but is variable depending on the category of services provided. No interest is charged on overdue debtors. An allowance is made for any estimated irrecoverable trade receivable arising from past sale of rendering of services. At 30 June 2009, there were no amounts estimated irrecoverable in the Group.

The credit risk on financial assets and liabilities which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

2 Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast cashflows and matching the maturity profiles of financial assets and liabilities. It also ensures that adequate unutilised borrowing facilities are maintained.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 30 June 2009	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total Contractual cashflows $	Carrying Amount of assets/ liabilities $
Non-derivatives							
Non-interest bearing	4,848,630	-	-	-	-	4,848,630	4,848,630
Variable interest	14,359,015	-	-	-	-	14,359,015	14,359,015
Fixed interest	2,009,823	8,693	-	-	13,159,178	15,177,694	15,177,694
	21,217,468	8,693	-	-	13,159,178	34,385,339	34,385,339

Group – At 30 June 2008	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total Contractual cash flows $	Carrying Amount of assets/ liabilities $
Non-derivatives							
Non-interest bearing	2,477,712	-	-	-	-	2,477,712	2,477,712
Variable interest	14,509,579	-	-	-	-	14,509,579	14,509,579
Fixed interest	-	2,000,000	-	-	-	2,000,000	2,000,000
	16,987,291	2,000,000	-	-	-	18,987,291	18,987,291

2 Financial risk management (continued)

Parent – At 30 June 2009	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total Contractual cash flows $	Carrying Amount of assets/ liabilities $
Non-derivatives							
Non-interest bearing	637,643	-	-	-	6,100,312	6,737,955	6,737,955
Variable interest	14,254,537	-	-	-	-	14,254,537	14,254,537
Fixed interest	2,000,000			-	-	2,000,000	2,000,000
	16,892,180	-	-	-	6,100,312	22,992,492	22,992,492

Parent – At 30 June 2008	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total Contractual cashflows $	Carrying Amount of assets/ liabilities $
Non-derivatives							
Non-interest bearing	2,624,156	-	-	-	-	2,624,156	2,624,156
Variable interest	14,445,036	-	-	-	-	14,445,036	14,445,036
Fixed interest	-	2,000,000	-	-	-	2,000,000	2,000,000
	17,069,192	2,000,000	-	-	-	19,069,192	19,069,192

Fair Value Estimation

The financial assets and liabilities included in current assets and liabilities in the balance sheet are carried at amounts that approximate net fair values.

3. Revenue

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Continuing operations				
Operating income	31,114,383	7,411,063	-	-
Interest income	178	219,988	1,828,059	997,454
	31,114,561	7,631,051	1,828,059	997,454
Discontinued operations (note 12)	3,701,926	4,567,043	-	-
Total revenue	34,816,487	12,198,094	1,828,059	997,454

4. Loss from continuing operations before income tax expense	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
The loss from continuing operations before income tax has been determined after charging the following items:				
Depreciation of buildings, plant and equipment	417,675	103,864	23,811	11,118
Amortisation of intangible assets	259,601	-	-	-
Direct medical expenses	4,049,407	1,156,948	-	-
Rental expenses under operating lease	1,484,437	327,182	114,137	62,318
Interest expense and other finance costs	1,272,703	617,115	1,264,934	608,812
Interest expense relating to lease of hospital operations	989,766	-	-	-
Hedging of interest expense	375,031	(35,698)	375,031	(35,698)
Provision for impairment – loans to subsidiaries	-	-	3,602,111	-
Impairment of goodwill:				
Continuing operations	2,915,111	-	-	-
Discontinuing operations	687,000	-	-	-
Total impairment charges	3,602,111	-	-	-

5. Auditors' remuneration	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
Audit and review of the Financial Report	169,611	100,000	169,611	100,000
Other services	16,500	15,245	16,500	15,245
Total	186,111	115,245	186,111	115,245
Current auditor	186,111	115,245	186,111	115,245
Total	186,111	115,245	186,111	115,245

6. **Income tax expense**	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
(a) Reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before tax	(4,957,838)	(1,878,903)	(5,909,104)	(1,519,023)
Loss from discontinued operations before tax	(487,677)	451,031	-	-
	(5,445,515)	(1,427,872)	(5,909,104)	(1,519,023)
Income tax calculated at 30% (2008: 30%)	(1,633,654)	(428,362)	(1,772,731)	(455,707)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Impairment of intangible assets	1,080,633	-	-	-
Provision for impairment of loans	-	-	1,080,633	-
Government grants of capital nature received in period	-	96,080	-	-
Director option expense	34,020	12,600	34,020	12,600
Entertainment	2,549	653	664	653
Other non-deductible items	37,410	2,650	38,063	2,584
Recognition of changes in temporary differences	-	82,837	-	(31,991)
Adjustment for deferred tax balance recognition	-	(72,822)	-	(23,792)
Benefit of tax losses not brought to account	479,042	-	619,354	-
De-recognition of previously recognised deferred tax balances	700,917	-	495,971	-
Prior year income tax expenses	14,050	-	-	-
Income tax attributable to loss	714,967	(306,364)	495,974	(495,653)
Income tax attributable to continuing operations	898,486	(489,883)	495,974	(495,653)
Income tax attributable to discontinuing operations	(183,519)	183,519	-	-
Income tax attributable to loss	714,967	(306,364)	495,974	(495,653)

6. Income tax expense (continued)	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
(b) Unrecognised deferred tax assets				
The deferred tax assets not brought to account at 30% (2008: 30%) relating to income tax losses are as follows:	1,686,680	365,742	1,686,680	366,202

The deferred tax assets not brought to account as this 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.

	Consolidated 2009 $	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net loss but directly credited to equity				
Current tax – credited directly to equity	1,000	20,321	1,000	20,321
Net deferred tax – credited/(debited) directly to equity	(222,474)	202,153	(222,474)	202,153
Total	(221,474)	222,474	(221,474)	222,474

(d) Income Tax Components	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
Current tax	14,050	(132,699)	-	-
Deferred tax assets	990,047	(990,047)	742,743	(747,746)
Deferred tax liability	(66,656)	66,656	(24,298)	24,298
Adjustment for amounts recognised directly in equity	(221,474)	222,474	(221,474)	222,474
Adjustment for tax effect recognition of assets and liabilities acquired during significant transactions (note 30)	-	522,231	-	-
Adjustments for tax of prior periods	(1,000)	5,321	(1,000)	5,321
Income tax credit	714,967	(306,064)	495,971	(495,653)
Income tax expense/(credit) is attributable to:				
Continuing operations	898,486	(489,883)	495,971	(495,653)
Discontinuing operations	(183,519)	183,519	-	-
Aggregate income tax expense/(credit)	714,967	(306,364)	495,971	(495,653)

6. Income tax expense (continued)

(e) Deferred Tax Assets	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
The balances comprises temporary differences attributable to:				
Tax losses	-	306,364	-	495,653
Provisions	-	376,709	-	17,492
Accruals	-	84,500	-	7,127
Items charged directly to equity	-	222,474	-	222,474
Total	-	990,047	-	742,746

(f) Deferred Tax Liabilities	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
The balances comprises temporary differences attributable to:				
Prepayments	-	45,858	-	6,834
Borrowing Costs	-	4,864	-	4,864
Others	-	15,934	-	12,600
Total	-	66,656	-	24,298

(g) Movements in Deferred Tax Assets-	Tax losses $	Provisions $	Accruals $	Other $	Total $
Consolidated					
As at 1 July 2007	-	-	-	-	-
(Charged)/credited to the income statement	306,364	376,709	84,500	-	767,573
(Charged)/ credited to equity	-	-	-	222,474	222,474
As at 30 June 2008	306,364	376,709	84,500	222,474	990,047
(Charged)/ credited to the income statement	(306,364)	(376,709)	(84,500)	-	(767,573)
(Charged)/ credited to equity	-	-	-	(222,474)	(222,474)
As at 30 June 2009	-	-	-	-	-
Parent					
As at 1 July 2007					
(Charged)/ credited to the income statement	495,653	17,492	7,124	-	520,269
(Charged)/ credited to equity	-	-	-	222,474	222,474
As at 30 June 2008	495,653	17,492	7,124	222,474	742,743
(Charged)/ credited to the income statement	(495,653)	(17,492)	(7,124)	-	(520,269)
(Charged)/ credited to equity	-	-	-	(222,474)	(222,474)
As at 30 June 2009	-	-	-	-	-

6. Income tax expense (continued)

(h) Movements in Deferred Tax Liabilities-	**Prepayments $**	**Borrowing costs $**	**Other $**	**Total $**
Consolidated				
As at 1 July 2007	-	-	-	-
(Charged)/ credited to the income statement	45,858	4,864	15,934	66,656
(Charged)/ credited to equity	-	-	-	-
As at 30 June 2008	45,858	4,864	15,934	66,656
(Charged)/ credited to the income statement	(45,858)	(4,864)	(15,934)	(66,656)
(Charged)/ credited to equity	-	-	-	-
As at 30 June 2009	-	-	-	-
Parent				
As at 1 July 2007	-	-	-	-
(Charged)/ credited to the income statement	6,834	4,864	12,600	24,298
(Charged)/ credited to equity	-	-	-	-
As at 30 June 2008	6,834	4,864	12,600	24,298
(Charged)/ credited to the income statement	(6,834)	(4,864)	(12,600)	(24,298)
(Charged)/ credited to equity	-	-	-	-
As at 30 June 2009	-	-	-	-

7. Cash and cash equivalents

	Consolidated 2009 $	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
Cash at bank and in hand	29,309	592,131	200	200
Total cash and cash equivalents	29,309	592,131	200	200

(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:

Balances as above	29,309	592,131	200	200
Bank overdraft (note 19)	(859,015)	(465,036)	(754,537)	(465,036)
Balance as per statement of cash flows	(829,706)	127,095	(754,337)	(464,836)

(b) Interest rate risk exposure

The Group's and parent entity's exposure to interest rate risk is discussed in note 2.

8. Trade and other receivables

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Current				
Trade debtors	4,238,805	3,431,711	-	-
Sundry debtors	10,067	54,980	4,950	6,246
Security deposit	5,162	13,378	-	8,555
Prepayments	341,043	152,859	26,152	22,779
Loan – intercompany	-	-	3,029,285	1,066,243
Total current trade and other receivables	4,595,077	3,652,928	3,060,387	1,103,823

(a) Impaired trade receivables

As at 30 June 2009, there were no current trade receivables of the Group that were impaired.

(b) Past due but not impaired

As at 30 June 2009, trade receivables of $820,405 (2008: $708,554) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The ageing analysis of the trade receivables is as follows:

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
30 to 60 days	622,902	460,043	-	-
60 to 90 days	123,012	136,000	-	-
Greater than 90 days	74,491	112,511	-	-
	820,405	708,554	-	-

(c) Other receivables

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be recovered when due. The Group does not hold any collateral in relation to these receivables.

(d) Fair value and credit risk

Due to the short-term nature of the receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at reporting date is the carrying amount of each class of receivable mentioned above. Also refer to note 2 for more information on the credit quality of the Group's trade receivables.

9. Inventories

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Current				
On hand, available for use	469,150	317,514	-	-
Total current inventories	469,150	317,514	-	-

10. Derivative financial instruments	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Current asset				
Interest rate swap contract (a)	-	35,698	-	35,698
Total current asset derivative financial instrument	-	35,698	-	35,698
Current liability				
Interest rate swap contract (a)	197,993	-	197,993	-
Total current liability derivative financial instrument	197,993	-	197,993	-

(a) Instruments used by the Group

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest in accordance with the Group's financial risk management policies (refer note 2).

(i) Interest rate swap contracts

Bank loans of the Group at year end had an average variable interest rate of 6.782%. It is policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly, the Group has entered into an interest rate swap contract under which it is obliged to receive interest at variable rates and pay interest at fixed rates.

The swap currently in place covers $6,450,000 (2008: $6,450,000) or approximately 48% (2008: 46%) of the variable loan principal outstanding and expires in March 2010. The fixed interest rate is 7.42% (2008: 7.42%) and the variable rate is equal to the 30 day bank bill rate which at balance date was 3.2900% (2008: 7.7583%).

The contract requires settlement of net interest receivable or payable each 30 days. The contract is settled on a net basis.

The gain or loss from resetting the interest rate swap instrument at fair value is taken to profit and loss at the balance date. In the year ended 30 June 2009 a loss of $141,340 (2008: gain of $3,768) was realised in operating the interest rate swap and a loss of $233,691 (2008: gain of $35,698) was recognised as the change in the fair value of the interest rate swap.

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest in accordance with the Group's financial risk management policies (refer note 2).

(b) Risk exposure

Information about the Group's and the parent entity's exposure to credit risk and interest rate risk is provided in note 2.

11. Other current assets	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
Current				
Borrowing cost	27,547	40,562	27,547	40,562
Total other current assets	27,547	40,562	27,547	40,562

12. Discontinued operation

(a) Description

As previously announced during the year, the Group undertook a process to examine and possibly divest some of its operations. As at 30 June 2009, a buyer had been identified and discussions progressed on the divestment of the Group's Care on Call business.

As such, the Group has classified the business of Care on Call as a discontinued operation.

As announced on 31 July 2009, and discussed in note 35, the sale of the business was completed on that date.

(b) Financial performance and cashflow information	**2009 $**	**2008 $**
Revenue (note 3)	3,701,926	4,567,043
Expenses	(3,502,603)	(4,116,012)
Impairment charge on goodwill	(687,000)	-
Profit (loss) before tax	(487,677)	451,031
Income tax (expense) credit	183,519	(183,519)
Profit (loss) after tax of discontinued operation	(304,158)	267,512
Net cash inflow from operating activity	663,006	425,408
Net increase in cash generated by discontinued operation	663,006	425,408

12. Discontinued operation (continued)

(c) Carrying amounts of assets and liabilities

The carrying amount of assets and liabilities as at 30 June 2009 of the discontinued operation were:

	2009 $
Property, plant and equipment	29,421
Intangibles	634,806
Security deposit	10,075
Prepayments	7,309
Total assets	681,611
Employee entitlements	29,671
Total liabilities	29,671
Net assets	651,940

13. Trade and other receivables

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Non current				
Loan – subsidiaries (a)	-	-	22,644,405	28,233,908
Loan to related party (c)	-	250,000	-	250,000
Total non-current trade and other receivables	-	250,000	22,644,405	28,483,908

a) Loans to subsidiaries

The loans to subsidiaries have no fixed term and are subject to an interest rate corresponding to the Group's senior debt borrowing rates.

The Company has made a provision for impairment amounting to $3,602,111, corresponding to the impairment charge taken by the Group, against the carrying value of its loans to its subsidiaries to reflect the reduced carrying value of those subsidiaries' assets.

b) Fair value and credit risk

The fair values of the receivables approximate their carrying values.

The maximum exposure to credit risk at reporting date is the carrying amount of each class of receivable mentioned above. Also refer to note 2 for more information on the credit quality of the Group's trade receivables.

c) In accordance with the general meeting of the Company on 26 March 2008, approval was given to advance Mr. Peter Mangles a sum of $250,000 for the purpose of acquiring shares in the Company in a placement. The resulting share-based payment of $113,400 was recognised during the year and the loan de-recognised from equity.

14. Property, plant and equipment	Land and Buildings	Leasehold Improvement	Leased Assets	Plant and Equipment	Total
	$	$	$	$	$
Consolidated					
Year ended 30 June 2008					
Opening net book amount	-	3,640	16,707	55,586	75,933
Additions		21,421	-	465,153	486,574
Additions – on acquisition	5,499,770	63,114	105,134	4,804,438	10,472,456
Accumulated depreciation – on acquisition	-	-	-	(7,714)	(7,714)
Depreciation charge	(14,133)	(7,737)	(17,469)	(128,112)	(167,451)
Closing net book amount	5,485,637	80,438	104,372	5,189,351	10,859,798
At 30 June 2008					
Cost	5,499,770	101,493	121,858	5,387,313	11,110,434
Accumulated depreciation	(14,133)	(21,055)	(17,486)	(197,962)	(250,636)
Net book amount	5,485,637	80,438	104,372	5,189,351	10,859,798
Year ended 30 June 2009					
Opening net book amount	5,485,637	80,438	104,372	5,189,351	10,859,798
Additions	20,872	4,344	5,896	664,383	695,495
Additions – on Westmead leasehold	-	-	-	356,751	356,751
Disposal on transfer to discontinued operations	-	-	-	(29,421)	(29,421)
Disposals	-	-	(42,703)	(10,339)	(53,042)
Depreciation charge	(61,253)	(8,002)	(18,742)	(329,678)	(417,675)
Closing net book amount	5,445,256	76,780	48,823	5,841,047	11,411,906
At 30 June 2009					
Cost	5,520,642	88,879	73,441	6,693,864	12,376,826
Accumulated depreciation	(75,386)	(12,099)	(24,618)	(852,817)	(964,920)
Net book amount	5,445,256	76,780	48,823	5,841,047	11,411,906

14. Property, plant and equipment (continued)	Land and Buildings $	Leasehold Improvement $	Leased Assets $	Plant and Equipment $	Total $
Parent					
At 30 June 2007					
Cost	-	-	-	36,925	36,925
Accumulated depreciation	-	-	-	(11,428)	(11,428)
Net book amount	-	-	-	25,497	25,497
Year ended 30 June 2008					
Opening net book amount	-	-	-	25,497	25,497
Additions	-	21,421	-	118,148	139,569
Depreciation charge	-	(893)	-	(10,227)	(11,120)
Closing net book amount	-	20,528	-	133,418	153,946
At 30 June 2008					
Cost	-	21,421	-	155,073	176,494
Accumulated depreciation	-	(893)	-	(21,655)	(22,548)
Net book amount	-	20,528	-	133,418	153,946
Year ended 30 June 2009					
Opening net book amount	-	20,528	-	133,418	153,946
Additions	-	-	-	112,368	112,368
Depreciation charge	-	(3,570)	-	(20,241)	(23,811)
Closing net book amount	-	16,958	-	225,545	242,503
At 30 June 2009					
Cost	-	21,421	-	267,438	288,859
Accumulated depreciation	-	(4,463)	-	(41,893)	(46,356)
Net book amount	-	16,958	-	225,545	242,503

Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the parent entity and its controlled entities.

15. Financial assets	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Non current				
Investments in subsidiaries				
Pulse Health Hospitals Pty Ltd	-	-	2,000,100	100
Pulse Health Services Pty Ltd	-	-	100	100
Total non current financial assets	-	-	2,000,200	200

16. Intangible assets

Consolidated	Borrowing Costs $	Development Costs* $	Goodwill $	Right to Operate Hospital $	Total $
Year ended 30 June 2008					
Opening net book amount	-	78,556	1,312,127	-	1,390,683
Additions (disposals)	16,901	(78,556)	-	-	(61,655)
Acquisition of subsidiary and businesses	-	-	17,477,029	-	17,477,029
Amortisation charge	-	-	-	-	-
Impairment charge	-	-	-	-	-
Closing net book amount	16,901	-	18,789,156	-	18,806,057
At 30 June 2008					
Cost	16,901	-	18,789,156	-	18,806,057
Accumulated amortisation/Impairment	-	-	-	-	-
Net book amount	16,901	-	18,789,156	-	18,806,057
Year ended 30 June 2009					
Opening net book amount	16,901	-	18,789,156	-	18,806,057
Additions	(16,901)	-	(30,808)	-	(47,709)
Additions – Westmead leasehold (note 30)	-	-	-	13,237,498	13,237,498
Amortisation charge	-	-	-	(259,601)	(259,601)
Assets classified as held for sale and other disposals	-	-	(634,806)	-	(634,806)
Impairment charge	-	-	(3,602,111)	-	(3,602,111)
Closing net book amount	-	-	14,521,431	12,977,897	27,499,328
At 30 June 2009					
Cost	-	-	17,436,542	13,237,498	30,674,040
Accumulated amortisation	-	-	-	(259,601)	(259,601)
Accumulated Impairments			(2,915,111)	-	(2,915,111)
Net book amount	-	-	14,521,431	12,977,897	27,499,328

* Capitalised development costs are preliminary acquisition costs incurred.

Impairment Disclosures

Goodwill is allocated to cash-generating units are as follows:

16. Intangible assets (continued)	**Consolidated 2009 $**	**Consolidated 2008 $**
Bega Valley Private Hospital	360,000	1,102,121
Forster Private Hospital	5,371,656	7,151,378
Gympie Private Hospital	3,135,119	3,134,814
KPH Private Hospital	2,588,860	2,585,222
Care Call	-	1,330,013
Northside Nursing	9,250	172,456
North Coast Community Care	2,060,640	2,056,844
Recruitment Specialist Group	995,906	1,256,308
Westmead Rehabilitation Hospital	12,977,897	-
Total	27,499,328	18,789,156

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five year period are extrapolated using estimated growth rates of 3-5%. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

In performing the value-in-use calculations for each CGU, the Group has applied pre-tax discount rates of 12-15% (2008: 10-15%)

During the current assessment period, the Group determined that a number of operations did not meet the required forecast discounted cashflows to maintain their carrying value. During the year, the Group determined that an impairment charge of $3,602,111 (2008: $nil) was required for its continuing and discontinuing operations.

17. Trade and other payables	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
Current				
Trade creditors and accruals	3,705,194	1,969,768	571,876	430,397
Loans from subsidiaries	-	-	6,100,312	2,177,546
Other creditors	1,143,436	467,580	65,767	16,213
Total current trade and other payables	4,848,630	2,437,348	6,737,955	2,624,156

18. Provisions	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
Current				
Employee entitlements	1,218,755	1,255,698	111,884	58,305
Total current provisions	1,218,755	1,255,698	111,884	58,305

19. Borrowings	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Current				
Secured				
Bank overdraft	859,015	465,036	754,537	465,036
Finance leases	1,293,094	55,490	-	-
Convertible notes (a)	2,000,000	2,000,000	2,000,000	2,000,000
Bank loan (b)	13,500,000	13,980,000	13,500,000	13,980,000
Total secured current borrowings	17,652,109	16,500,526	16,254,537	16,445,036
Unsecured				
Other loans	-	81,067	-	-
Total unsecured current borrowings	-	81,067	-	-
Total current borrowings	17,652,109	16,581,593	16,254,537	16,445,036

(a) Convertible notes

The convertible notes have an issue price of $0.20 each. The notes are convertible at any time exclusively at the option of the note holders or any subsequent holder into that number of shares of common stock of Pulse Health Limited at the conversion price of $0.20 each. The final conversion date is 30 June 2009.

The notes pay 9.0% 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.

The convertible notes rank ahead of all shares in the Company and the security trustee holds a second ranking fixed charge over the Bega Valley Private Hospital, a first ranking charge over the Care On Call business and a second ranking floating charge over all assets of the Company but subordinated to and rank behind senior bank borrowings.

Subsequent to year end, these convertible notes were repaid to note holder on 31 July 2009. No convertible notes were converted to ordinary shares of Pulse Health Limited.

(b) Bank loan

In December 2007, Company entered into an agreement for a loan 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 and Care Call Pty Ltd) and CHPC Group assets (hospitals and businesses acquired on 7 April 2008) 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 and Care Call 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 ration and a minimum tangible net worth. The Group did not meet the interest rate covenant in the quarter ending 30 June 2008.

The bank loans are a combination of interest only and a term loan. At year end the term loan had $600,000 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 + 3.25% (2008: + 0.95%), reset monthly. This rate is subject to quarterly reviews

At 30 June 2009 the Company was in breach of its covenants.

The Bank loan is payable in December 2009.

The carrying amount of assets pledged as security for current and non-current borrowings are:

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Current					
Floating charge					
Cash and cash equivalent	7	29,309	84,717	200	200
Trade and other receivables	8	4,595,077	3,652,928	3,060,387	1,103,823
Inventories	9	469,150	317,514	-	-
Derivative financial asset	10	-	35,698	-	35,698
Total current assets pledged as security		5,093,536	4,090,857	3,060,587	1,139,721
Non-current					
First mortgage					
Freehold land and buildings	14	5,445,256	5,485,637	-	-
Leased assets					
Plant and equipment	14	48,823	104,372	-	-
Intangible assets	16	12,977,897	-	-	-
		13,026,720	104,372	-	-
Floating charge					
Receivables – non-current	13	-	250,000	22,644,405	28,483,908
Plant and equipment	14	5,917,827	5,269,789	242,503	153,946
Financial assets	15	-	-	2,000,200	200
Intangible assets	16	14,521,431	18,806,057	-	16,901
		20,439,258	24,325,846	24,887,108	28,654,955
Total non-current assets pledged as security		38,911,234	29,915,855	24,887,108	28,654,955
Total assets pledged as security		44,004,770	34,006,712	27,947,695	29,794,676

(c) Other loans

Other loans represent a commercial loan facility to fund the payment of general insurance and workers' compensation insurance premiums.

20. Other liabilities

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Current				
Government grants	408,191	565,686	-	-
Total other current liabilities	408,191	565,686	-	-

21. Provisions

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Non current				
Employee entitlements	738,837	319,257	30,096	20,260
Total non current provisions	738,837	319,257	30,096	20,260

22. Borrowings

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Non current				
Secured				
Finance leases (a)	11,884,600	9,053	-	-
Total non current borrowings	11,884,600	9,053	-	-

(a) Assets pledged as security

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

23. Other liabilities

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Non current				
Deferred income (a)	3,066,388	3,136,184	-	-
Total non current other liabilities	3,066,388	3,136,184	-	-

(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.

24.	**Issued capital and share based reserve**	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
	(a) Issued and paid-up capital				
	138,231,790 (2008: 138,231,790) fully paid ordinary shares	12,881,393	13,352,867	12,881,393	13,352,867
	(b) Movement in ordinary share capital				
	Balance at beginning of year	13,352,867	2,186,526	13,352,867	2,186,526
	De-recognition of previously recognised deferred tax assets written back to equity	(221,474)	-	(221,474)	-
	De-recognition of financial asset on recognition of share based payment (note 13(c))	(250,000)	-	(250,000)	-
	2,500,000 shares issued at 20 cents in partial payment for acquisition	-	500,000	-	500,000
	8,000,000 shares issued at 17.5 cents for acquisition	-	1,400,000	-	1,400,000
	64,007,147 shares issued at 14 cents for acquisitions	-	8,961,001	-	8,961,001
	5,357,142 shares issued at 14 cents for acquisitions	-	750,000	-	750,000
	5,000 shares issued at 20 cents on exercise of options	-	1,000	-	1,000
	Capital raising costs		(445,660)		(445,660)
	Balance at end of year	12,881,393	13,352,867	12,881,393	13,352,867
	(c) Share based reserve				
	Balance at beginning of year	685,425	585,932	685,425	585,932
	Add / (deduct):				
	Transfer to share capital on expiry of unexercised options	(627,932)	-	(627,932)	-
	Share based payment (note 13(c))	113,400	-	113,400	-
	Options Issued to directors	-	42,000	-	42,000
	Options Issued to supplier	-	57,493	-	57,493
	Balance at end of year	170,893	685,425	170,893	685,425

24. Issued capital and share based reserve (continued)

(d) 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

(e) Capital management

The group's debt and capital includes ordinary share capital, options, convertible notes and financial liabilities, supported by financial assets

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There are externally imposed capital requirements. Under the terms and conditions of the Bank loan facilities, the Group is required to comply with a minimum net worth requirement and a maximum loan to value ratio requirement. In order to maintain or adjust the capital structure to meets these externally imposed capital requirements, management may adjust debt levels, issue new shares or sell assets.

At 30 June 2009 the Company was in breach of the minimum net worth covenants. The Group is in discussions with the lenders to remedy the breach.

At 30 June 2009 the consolidated and parent company gearing ratios were 86.0% (2008: 58.6%) and 78.1% (2008: 59.0%) respectively.

25. Segment Reporting

The Group operates in three business segments being Private Hospitals, Community Care and Health Recruitment as well as the parent company, and its activities have been confined to Australia to date. In 2009, the Group operated in all the three segment and was confined to Australia.

2009	Private Hospital $	Community Care $	Health Recruitment $	Total continuing operations $	Discontinued operations $	Consolidated $
Segment revenues						
Sales to customers	26,718,918	2,452,549	1,711,789	30,883,256	3,701,926	34,585,182
Intersegmental sales	49,610	-	-	49,610	-	49,610
Other revenue	221,993	9,312	-	231,305	-	231,305
	26,990,521	2,461,861	1,711,789	31,164,171	3,701,926	34,866,097
Intersegmental eliminations				(49,610)	-	(49,610)
Consolidated revenue				31,114,561	3,701,926	34,816,487
Segment results	(654,910)	52,876	(220,752)	(822,786)	(487,677)	(1,310,463)
Unallocated revenues less unallocated expenses				-	-	(4,135,052)
Loss before income tax				(4,957,838)	(487,677)	(5,445,515)
Income tax credit/(expense)				(898,486)	183,519	(714,967)
Net loss for the year				(5,856,324)	(304,158)	(6,160,482)
Segment assets and liabilities						
Segment assets	39,111,237	3,480,615	1,257,761	43,849,613	681,611	44,531,224
Unallocated assets				-	-	301,353
Total assets				43,849,613	681,611	44,832,577
Segment liabilities	22,006,660	585,055	191,636	22,783,351	29,671	22,813,022
Unallocated liabilities				-	-	17,232,152
Total liabilities				22,783,351	29,671	40,045,174
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	699,285	56,619	4,641	760,545	4,109	764,654
Unallocated				-	-	112,364
Total acquisitions				760,545	4,109	877,018
Depreciation and amortisation	626,014	17,462	9,989	653,465	18,603	672,068
Unallocated				-	-	23,811
Total depreciation and amortisation				653,465	18,603	695,879
Impairment of goodwill	2,492,121	163,206	259,784	2,915,111	687,000	3,602,111

25. Segment reporting (continued)

2008	Private Hospital $	Community Care $	Health Recruitment $	Total continuing operations $	Discontinued operations $	Consolidated $
Segment revenues						
Sales to customers	5,034,745	820,247	1,544,914	7,399,906	4,541,733	11,941,639
Intersegmental sales	10,745	-	8,572	19,317	-	19,317
Other revenue	34,748	-	13,364	48,112	25,310	73,422
	5,080,238	820,247	1,566,850	7,467,335	4,567,043	12,034,378
Intersegmental eliminations				(19,317)	-	(19,317)
Unallocated revenues				-	-	183,033
Consolidated revenue				7,448.,018	4,567,043	12,198,094
Segment results	300,791	(36,288)	119,462	383,965	451,031	834,996
Unallocated revenue less unallocated expense				-	-	(2,262,868)
Profit (loss) before income tax				383,965	451,031	(1,427,872)
Income tax credit/(expense)				(6,070)	(183,519)	306,064
Net loss for the year				377,895	267,512	(1,121,808)
Segment assets and liabilities						
Segment assets	27,867,211	4,718,959	421,173	33,007,343	1,392,258	34,399,601
Unallocated assets				-	-	1,277,632
Total assets				33,007,343	1,392,258	35,677,433
Segment liabilities	5,895,678	1,168,964	267,773	7,332,415	44,551	7,376,966
Unallocated liabilities				-	-	16,994,509
Total liabilities				7,332,415	44,551	24,371,475
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	10,701,117	190,512	34,602	10,926,231	7,709	10,933,940
Unallocated				-	-	176,495
Total acquisitions				10,926,231	7,709	11,110,435
Depreciation and amortisation	172,434	24,769	11,593	208,796	19,292	228,088
Unallocated				-	-	22,548
Total depreciation and amortisation				208,796	19,292	250,636

26. Controlled entities

	Country of incorporation	% owned	
Parent	Australia	-	
Subsidiaries of Pulse Health Limited		**30 June 2009**	**30 June 2008**
- Pulse Health Hospitals Pty Ltd	Australia	100%	100%
- Pulse Health Services Pty Ltd	Australia	100%	100%
- Pulse Health Nursing Pty Ltd	Australia	100%	100%
- Care Call Pty Ltd	Australia	100%	100%
- Bega Valley Private Hospital Pty Ltd	Australia	100%	100%
- Forster Private Hospital Pty Ltd	Australia	100%	100%
- Gympie Private Hospital Pty Ltd	Australia	100%	100%
- KPH Hospital Pty Ltd	Australia	100%	100%
- North Coast Community Care Pty Ltd	Australia	100%	100%
- Recruitment Specialist Group Pty Ltd	Australia	100%	-
- Westmead Rehabilitation Hospital Pty Ltd	Australia	100%	-
- Griffith Private Hospital Pty Ltd	Australia	100%	-
- Pulse Health Aged Care Pty Ltd	Australia	100%	-
- Freshwater Private Hospital Pty Ltd	Australia	100%	-

27. Commitments

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Leasing commitments				
Non-cancellable leases contracted for but not capitalised in the financial statements				
Payable - minimum lease payments				
- not later than 12 months	1,916,190	704,211	161,302	118,617
- between 12 months and 5 years	7,429,079	1,636,925	712,362	436,303
- greater than 5 years	40,501,635	1,213,457	-	90,896
	49,846,904	3,554,593	873,664	645,816

The Group lease various hospitals and offices under non-cancellable operating leases expiring from within seven months to twenty-nine years and four months. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

27. Commitments (continued)	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Finance leases				
Commitments in relation to finance leases are payable as follows:				
- not later than 12 months	1,293,094	58,127	-	-
- between 12 months and 5 years	5,465,807	9,291	-	-
- greater than 5 years	47,923,453	-	-	-
	54,682,354	67,418		-
Future finance charges	(41,504,660)	(2,875)	-	-
Recognised as a liability	13,177,694	64,543	-	-
Representing				
- Current (note 19)	1,293,094	55,490	-	-
- Non current (note 22)	11,884,600	9,053	-	-
	13,177,694	64,543	-	-

28. Loss per share	Consolidated 2009 $	Consolidated 2008 $
Earnings used to calculate basic and diluted earnings per share		
Loss from continuing operations	(5,856,324)	(1,389,320)
Profit (loss) from discontinued operations	(304,158)	267,512
Loss for the year	(6,160,482)	(1,121,808)
Weighted average number of shares used as the denominator	**Number**	**Number**
Number for basic and diluted loss per share		
Ordinary shares	136,446,076	100,325,207

3,125,000 options granted are not included in the calculation of diluted loss per share because they are anti-dilutive for the year ended 30 June 2009. These options could potentially dilute basic earnings per share in the future.

29. Employee benefits	Consolidated 2009 Number	Consolidated 2008 Number	Parent 2009 Number	Parent 2008 Number
Number of employees				
Number of employees at the end of the year	618	514	7	6

30. Significant transactions

Westmead Rehabilitation Hospital

As disclosed in the June 2008 financial statements, the Group entered into an agreement with an unlisted property trust to operate Westmead Rehabilitation Centre (subsequently renamed Westmead Rehabilitation Hospital "Westmead"), a 60 bed private rehabilitation hospital near Parramatta in NSW. The Group was a named party in the corresponding sale agreements between the unlisted property trust and the vendors of the property and business.

The transaction was completed on 1 November 2008 with the hospital license transferring to the group, sale of the property and the business to the unlisted property trust and the Group entering into an "Operating Assets Lease" and "Premises Lease Agreement" with the unlisted property trust for a period of 30 years. Under the sale agreements, the Group is required to take responsibility for various liabilities such as employee entitlements and unpaid creditors as at settlement date, with offsetting assets such as prepayments and some fixed assets.

Under applicable accounting standards, the Operating Assets Lease has been deemed a finance lease, which has been used to finance the acquisition of the hospital management rights and other operating assets. The value of the intangibles on the transaction was $13,237,498 with corresponding lease and other liabilities recognised offset by recognition of fixed assets.

Westmead contributed revenues of $8,138,657 during the period from 1 November 2008 to 30 June 2009.

On 29 July 2008, the company incorporated a 100% controlled subsidiary called Westmead Rehabilitation Hospital Pty Ltd, with $100 share capital.

31. 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.

32. Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Short-term employees	625,000	596,288	625,000	596,288
Post-employment benefits	56,250	53,666	56,250	53,666
Long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	113,400	42,000	113,400	42,000
	794,650	691,954	794,650	691,954

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 10.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such option

Details of options provided as remuneration and shares issued on exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on page 10.

32. Key management personnel disclosures (continued)

(ii) Option holdings

The movement during the reporting period in the number of options over ordinary shares exercisable at $0.20 on or before 31 October 2008 and 31 March 2009 held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

2009	Held at 30 June 2008 (a)	Granted as remuneration	Exercised	Lapsed (b)	Held at 30 June 2009
Directors					
Non-executive					
Mr Stuart James	2,000,000	-	-	(2,000,000)	-
Dr John Hewson (resigned 31 March 2009)	1,500,000	-	-	(1,500,000)	-
Dr Barry Landa	2,000,000	-	-	(2,000,000)	-
Mr Andrew Gregory	1,500,000	-	-	(1,500,000)	-
Mr Trevor Beazley (resigned 29 August 2009)	1,500,000	-	-	(1,500,000)	-
Executive					
Mr Peter Mangles (resigned 31 August 2009)	2,000,000	-	-	(2,000,000)	-

(a) All the above options were fully vested and exercisable at the beginning of the year.
(b) All options lapsed during the year remaining unexercised.

2008	Held at 30 June 2007	Granted as remuneration	Exercised	Lapsed (a)	Held at 30 June 2008
Directors					
Non-executive					
Mr Stuart James	-	2,000,000	-	-	2,000,000
Dr John Hewson	-	1,500,000	-	-	1,500,000
Dr Barry Landa	2,000,000	-	-	-	2,000,000
Mr Andrew Gregory	1,500,000	-	-	-	1,500,000
Mr Trevor Beazley	2,075,000	-	-	(575,000)^	1,500,000
Executive					
Mr Peter Mangles	2,000,000*	-	-	-	2,000,000*

32. Key management personnel disclosures (continued)

2008	Held at 30 June 2007	Granted as remuneration	Exercised	Lapsed (a)	Held at 30 June 2008
Directors					
Non-executive					
Mr Stuart James	-	2,000,000	-	-	2,000,000
Dr John Hewson	-	1,500,000	-	-	1,500,000
Dr Barry Landa	2,000,000	-	-	-	2,000,000
Mr Andrew Gregory	1,500,000	-	-	-	1,500,000
Mr Trevor Beazley	2,075,000	-	-	(575,000)^	1,500,000
Executive					
Mr Peter Mangles	2,000,000*	-	-	-	2,000,000*

* 500,000 of which vested on 31 October 2007. Now fully vested.
^ 575,000 options expired 31 December 2007. 575,000 acquired through Entitlement Prospectus, issued 1 February 2008. 575,000 options expired 30 June 2008.

(a) All options lapsed during the year remaining unexercised.

(iii) Share Holdings

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

2009	Held at 30 June 2008	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
Directors					
Non-executive					
Mr Stuart James	2,142,857	-	-	-	2,142,857
Dr Barry Landa	2,280,000	1,591,250	-	-	3,871,250
Mr Trevor Beazley	700,000	-	-	-	700,000
Mr Andrew Gregory	2,903,571		-	-	2,903,571
Executive					
Mr Peter Mangles	1,785,714	-	-	-	1,785,714

32. Key management personnel disclosures (continued)

2008	Held at 30 June 2007	Purchases	Received on exercise of options	Sales	Held at 30 June 2008
Directors					
Non-executive					
Mr Stuart James	-	2,142,857	-	-	2,142,857
Dr Barry Landa	2,250,000	30,000	-	-	2,280,000
Mr Trevor Beazley	700,000	-	-	-	700,000
Mr Andrew Gregory	1,350,000	1,553,571	-	-	2,903,571
Executive					
Mr Peter Mangles	-	1,785,714*	-	-	1,785,714

* In accordance with the general meeting of the Company on 26 March 2008, approval was given to advance Mr. Peter Mangles a sum of $250,000 for the purpose of acquiring shares in the Company in a placement. The resulting share-based payment of $113,400 was recognised during the year and the loan de-recognised from equity.

(iv) Convertible Note Holdings

The movement during the reporting period in the number of convertible notes held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

2009	Held at 30 June 2008	Purchases	Received on exercise of options	Sales	Held at date of resignation	Held at 30 June 2009
Directors						
Non-executive						
Mr Andrew Gregory	2,500,000	-	-	-	-	2,500,000

2008	Held at 30 June 2007	Purchases	Received on exercise of options	Sales	Held at date of resignation	Held at 30 June 2008
Directors						
Non-executive						
Mr Andrew Gregory	2,500,000	-	-	-	-	2,500,000

It is noted that David Franks or related parties also purchased during the year and held 262,500 convertible notes at 30 June 2009 and 30 June 2008.

(c) Other key management personnel transactions

A number of directors and executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of those entities transacted with the Company or its subsidiaries during the year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

32. Key management personnel disclosures (continued)

(i) Mr Brian Hill, who was employed as the Group's Executive Manager – Recruitment, was the vendor with respect to the Group's abandoned acquisition of Allied Employment Group Pty Ltd.

(ii) In accordance with the general meeting of the Company on 26 March 2008, approval was given to advance Mr. Peter Mangles a sum of $250,000 for the purpose of acquiring shares in the Company in a placement. The resulting share-based payment of $113,400 was recognised during the year and the loan de-recognised from equity.

33. Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 26.

(b) Loans to/from related parties

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Loans to subsidiaries				
Beginning of year	-	-	27,121,516	1,568,447
Loans advanced	-	-	21,963,879	35,768,451
Loan repayments received	-	-	(25,909,906)	(10,215,382)
Interest charged	-	-	1,828,059	814,422
Interest received	-	-	(1,828,059)	(814,422)
Provision for impairment of loans to subsidiaries	-	-	(3,602,111)	-
End of year	-	-	19,573,378	27,121,516

(c) Other related parties

(i) Mr Stuart James is the chairman of Balnave Corporate Limited, which was an advisor to the Company during the year. The Company and Balnave Corporate Limited has in place a 12 month consulting agreement. During the year ending 30 June 2009, the Company paid Balnave Corporate Limited a total of $73,641 (excluding GST) for consulting services;

(ii) During the year the company paid Franks & Associates Pty Ltd, a company associated with Mr David Franks, to perform Company Secretarial and Finance functions at an hourly rate of $150 (excluding GST). The total amount of $50,520 (excluding GST) was incurred during the year. Of this amount, $12,062 (excluding GST) remained unpaid at 30 June 2009.

34. Notes to the Statement of Cash Flows	**Consolidated 2009 $**	**Consolidated 2008 $**	**Parent 2009 $**	**Parent 2008 $**
(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 7)	(829,706)	127,095	(754,337)	(464,836)
(b) Reconciliation of net cash flows from operating activities to loss after income tax				
Loss after income tax	(6,160,482)	(1,121,808)	(6,405,078)	(1,023,370)
Depreciation and amortisation	695,845	123,156	23,811	11,118
Impairment of intangible assets	3,602,111	-	-	-
Provision for impairment of loans to subsidiaries	-	-	3,602,111	-
Share based payments to directors	113,400	42,000	113,400	42,000
Interest income	-	(191,776)	(1,828,059)	(997,454)
Accrued interest on convertible notes	44,876	44,754	44,876	44,754
Net cash used in operating activities before changes in assets and liabilities	(1,704,250)	(1,103,674)	(4,448,939)	(1,922,952)
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
(Increase) decrease in trade and other receivables	(942,149)	(1,020,053)	(362,773)	(2,384,090)
(Increase) in inventories	(151,636)	(54,694)	-	-
(Increase) decrease in financial assets at fair value through profit or loss	233,691	(35,698)	233,691	(35,698)
(Increase) decrease in current and deferred tax assets	1,004,097	(1,122,746)	742,746	(742,746)
(Increase) decrease in other operating assets	7,058	135,950	-	(8,352)
Increase in trade and other payables	2,411,282	1,715,713	191,033	2,094,215
Increase (decrease) in deferred tax liabilities	(66,656)	66,656	(24,298)	24,298
Increase in provisions	412,308	110,095	63,415	78,565
Increase (decrease) in other operating liabilities	(227,291)	1,146,610	-	-
Net cash and cash equivalents used in operating activities	976,454	(161,841)	(3,605,125)	(2,896,760)

35. Events subsequent to balance date

a) Care On Call

As announced on 31 July 2009, the Group has entered into and settled an agreement with an organisation for the sale of the Care On Call business. The sale price was $850,000. As a result of the sale, the Group has taken a charge amounting to $687,000, writing down the value of the Group's investment in the business at 30 June 2009.

b) Convertible Note Repayment

As announced on 31 July 2009, the Group repaid the convertible notes due 30 June 2009. No convertible notes were converted.

c) Convertible Notes Issued

As announced on 31 July 2009, the Group issued 8,250,000 convertible notes with a face value of $0.10 each, yield of 10% pa paid quarterly in arrears, convertible at the exclusive discretion of the note holder to ordinary shares of Pulse Health Limited at $0.10 each up to 30 June 2010. 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.

d) Issue of Ordinary Shares and Options

As announced on 31 July 2009, the Group issued to a sophisticated investor 3,500,000 ordinary shares at $0.10 each with three free attaching options for every four shares issues, or 2,625,000 options, exercisable at $0.10 per option until 31 July 2012, raising $350,000.

36. Share based payments

Options

In accordance with the general meeting of the Company on 26 March 2008, approval was given to advance Mr. Peter Mangles a sum of $250,000 for the purpose of acquiring shares in the Company in a placement. The material terms of the loan are as follows:

- The purpose of the loan is to fund Mr Mangles' subscription for shares at an issue price of $0.14 each
- The amount of loan is $250,000
- The $250,000 will be repayable on or before that date which is five years from the date of the Share subscription or if Mr Mangles ceases to be an employee of the Company, whichever is earlier
- The loan will be interest free
- The Loan will be unsecured and Mr Mangles liability will be limited to the value of the Loan shares
- The Loan shares will be subject to a holding lock until the Loan is repaid; and
- Dividends received on the Loan shares will be treated as follows
  - all dividends will be paid at the top marginal tax rate less any imputation credits ; and
  - the balance will be used to pay of the Loan

For accounting purposes the granting of the loan has been treated as a share based payment expense in the amount of $113,400.

36. Share based payments (continued)

The model inputs for the option granted during the previous year was as follows

h. Exercise price - $0.14
i. Grant date – 26 March 2008
j. Expiry date – 26 March 2013
k. Share price at grant date -$0.14
l. Expected price volatility of the Company's shares : 60%
m. Expected dividend yield : 0.00%
n. Risk-free interest rate: 6.1%

Apart from the above, no options over shares in the Company were granted during the year.

The following options were issued to directors or executive officers of the Company in the previous year as remuneration:

Name		Options Granted during year*	Options vested during year	Exercise Price	Expiry	Value Per Option $
Directors of Pulse Health Limited						
Mr Stuart James	2008	2,000,000	2,000,000	$0.20	31 March 2009	0.012
Dr John Hewson	2008	1,500,000	1,500,000	$0.20	31 March 2009	0.012
Mr Peter Mangles	2008	-	500,000	$0.20	31 March 2009	-

* Options grant date – 26 March 2008.

No ordinary shares were issued during the year as a result of exercise of the remuneration option granted in the previous year.

37. 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.

DIRECTORS' DECLARATION
30 June 2009

The directors of Pulse Health Limited declare that:

(a) in the directors' opinion the financial statements and notes on pages 24 to 74 and the remuneration disclosures that are contained in the Remuneration report in the Directors Report set out on pages 6 to 10, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001.
by the chief executive officer and chief financial officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors.

Chairman

Sydney, New South Wales
30 September 2009

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Pulse Health Limited

Report on the Financial Report

We have audited the accompanying financial report of Pulse Health Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Pulse Health Limited and of the consolidated entity. The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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PKF

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Pulse Health Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity and parent entity recorded losses for the year after tax of $6,160,482 (2008: $1,121,808) and $6,405,078 (2008: $1,023,270) respectively. As at year end, the current liabilities of the consolidated entity exceeded current assets by $18,404,335 (2008 $16,068,793) and the current liabilities of the parent entity exceeded current assets by $20,214,235 (2008: 17,947,214).

These conditions, along with other matters as set forth in Note 1 indicate the existence of a significant uncertainty about the parent company's and consolidated entity's ability to continue as a going concern, and therefore whether the parent company and consolidated entity will realise their assets and extinguish their liabilities in the ordinary course of business and at the amounts stated in the Financial Report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that might be necessary should the consolidated entity and the parent be unable to continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Opinion

In our opinion the Remuneration Report of Pulse Health Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Acts 2001*.

PKF

Grant Saxon
Partner

Sydney
30 September 2009

Additional information required by the Australian stock exchange Limited listing rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDING

Substantial Holders

The number of shares held by substantial shareholders and their associated interests as at **18 September 2009** were:

Rank	Name	Units	% of Issued Capital
1.	EQUITAS NOMINEES PTY LIMITED <GROUP A A/C>	22,021,398	15.54
2.	WYLLIE GROUP PTY LTD	21,500,000	15.17
3.	THROVENA PTY LTD	9,616,702	6.79

As at **18 September 2009** there were 637 holders of ordinary shares of the company.

The voting rights of ordinary shares set out in the Company's constitution are:

"Subject to any rights or restrictions for the time being attached to any class or class of shares –

a) at meeting of members or classes of members each member is entitled to vote may vote in person or by proxy or attorney; and
b) On a show of hands every person who is a member has one vote and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held. "

Holders of options do not have any voting rights.

Distribution of equity Security Holders as at 18 September 2009

Category	Ordinary Shares	Options expiring 1 December 2010	Options expiring 31 July 2012
1 - 1,000	8	0	0
1,001 - 5,000	65	0	0
5,001 - 10,000	100	0	0
10,001 - 100,000	335	0	0
Greater than 100,000	129	1	1
Total holders	637	1	1

The number of shareholders holding less than a marketable parcel at 30 June 2009 was 72 and at **18 September 2009** was 89.

Twenty largest Ordinary Fully Paid Shareholders as at 18 September 2009

Rank	Name	Units	% of Issued Capital
1.	EQUITAS NOMINEES PTY LIMITED <GROUP A A/C>	22,021,398	15.54
2.	WYLLIE GROUP PTY LTD	21,500,000	15.17
3.	THROVENA PTY LTD	9,616,702	6.79
4.	DR PHILIP GORDON WILSON EWART	4,888,219	3.45
5.	FINANCE ASSOCIATES PTY LTD <SUPER FUND A/C>	2,903,571	2.05
6.	SHAPEN HOLDINGS PTY LTD <SHAPEN FAMILY A/C>	2,455,000	1.73
7.	KIRISI HOLDINGS PTY LTD <HEPERU EMPLOYEES S/F A/C>	2,225,000	1.57
8.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD <BERNDALE A/C>	2,150,000	1.52
9.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,142,857	1.51
10.	PEH NOMINEES (NSW) PTY LTD <DUKE CAPITAL DISC A/C>	2,000,000	1.41
11.	SAUVETAGE PTY LTD <MANGLES FAMILY A/C>	1,785,714	1.26
12.	PLANMOOR INVESTMENTS PTY LTD <B & A LEE SUPER FUND A/C>	1,746,953	1.23
13.	TATIARA NOMINEES PTY LTD <TATIARA DISCRETIONARY A/C>	1,600,000	1.13
14.	KIRISI HOLDINGS PTY LTD <HEPERU EMPLOYEES S/F A/C>	1,583,250	1.12
15.	HIJAUSAYA INC	1,515,750	1.07
16.	PARKTHORN NO 2 PTY LTD <O'BRIEN FAMILY NO 2 A/C>	1,428,571	1.01
17.	DR JOHN POULOS	1,409,436	0.99
18.	SCINTILLA STRATEGIC INVESTMENTS LIMITED	1,400,000	0.99
19.	MR TOM SENDRO	1,372,000	0.97
20.	VERSAILLES HOLDINGS PTY LTD <THE ALMONTE FAMILY A/C>	1,345,000	0.95
	Top 20 holders of ORDINARY SHARES (GROUPED) as at 18 September 2009	**87,089,421**	**61.46**

Twenty largest Option Holders as at 18 September 2009 – 14 cent exercise price expiring 1 December 2010

Rank	Name	Units	% of Issued Options
1	COLBERN FIDUCIARY NOMINEES PTY LTD	500,000	100.00
	Top 20 holders of OPTS EXP 1/12/10 @ 14C as at 18 September 2009	500,000	100.00

Twenty largest Option Holders as at 18 September 2009 – 10 cent exercise price expiring 31 July 2012

Rank	Name	Units	% of Issued Options
1	EQUITAS NOMINEES PTY LIMITED <GROUP A A/C>	2,625,000	100.00
	Top 20 holders of OPTS EXP 31/07/12 @ 10C as at 18 September 2009	2,625,000	100.00

Stock Exchange
The Company is currently listed on the Australian Stock exchange. The home exchange is Perth.

Other Information
Pulse Health Limited is incorporated and domiciled in Australia is a publicly listed company limited by shares.