

## APPENDIX 4D

# HALF-YEAR REPORT TO THE AUSTRALIAN STOCK EXCHANGE



Name of Entity	Pulse Health Limited
ABN	69 104 113 760
Half year ended	31 December 2008
Previous corresponding period	31 December 2007

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from continuing operations	Up \$12,218,934	371.9%	To	\$15,504,826
Loss from continuing operations after tax attributable to members	Down \$(262,333)	54.40%	To	\$(744,593)
Net loss for the period attributable to members	Down \$(262,333)	54.40%	To	\$(744,593)

No interim dividend was paid and it is not proposed to pay any dividends.

### GENERAL OVERVIEW

#### Trading Update

The Company is continuing to implement its strategic business plan. On 1 November 2008, the Group completed the transaction involving Westmead Rehabilitation Hospital. This transaction has created significant operational revenues for the Group and is performing to expectations.

## APPENDIX 4D (CONTINUED)

As a result of the Westmead transaction, in accordance with accounting standards, a finance lease liability was created with corresponding intangibles. Interest expense booked during the period on the finance lease currently exceeds the lease payment and is charged to interest expense. Correspondingly, the intangibles are being amortised on a straight line bases over the life of the lease. These factors have significantly impacted the results of the Group and are significant compared to prior periods.

During this initial developmental and growth phase, the Group has put into place a number of strategies to integrate the acquired business units and achieve synergies and efficiencies across the Group. These integration processes have been advanced with improvement in business operations being achieved. Further integration of the businesses continues with a view to centralising non core hospital functions.

Projects scheduled for completion during the second half of the year include:

- (a) centralisation of trade payables accounting functions;
- (b) centralised financial reporting across the group;
- (c) completion of the centralisation of IT functions; and
- (d) expanding the range of services provided at a number of facilities.

The management of key performance indicators within the hospitals has been implemented, with a number of demonstrable advances in terms of work hours, revenue per patient day and occupancy being achieved.

However in relation to the financial performance of the Group, there remains a short fall in the results against the Group's forecasts. On review of the first half results, the cause of these shortfalls are due to a number of items outside the control of Group, being:

- (1) timing and external obstruction to forecast revenue (resulting from delays in opening of new public beds at the Forster Private Hospital facility and delays in obtaining offshore medical personnel);
- (2) abnormal trading activity (resulting from a milder winter than historically expected, reducing patient throughput in the 2008 winter period. Occupancy and referrals decreased during this reporting period compared to historical averages which impacted on occupancy rates and revenue); and
- (3) aberrant performance against historical figures (unexpected doctor absenteeism).

Management does not see the above factors as permanent factors affecting the facilities, and recognises these are temporary factors which should return to historical normal patterns. Some initiatives such as the additional public beds and addressing the offshore medical staff recruitment processes are expected to be realised in the second half of the financial year.

Key initiatives will be implemented during the second half of the year, with the focus on providing additional referral bases, increased occupancy rates and the provision of quality health care and patient outcomes.

## APPENDIX 4D (CONTINUED)

### Sale and Leaseback of Gympie Private Hospital

As previously announced to the ASX, the Company has been investigating the possibility of converting the land and buildings owned by it at Gympie Private Hospital to a sale and leaseback arrangement. This effect of this would result in the release of working capital and reducing overall borrowings.

The Company is pleased to announce that it has received a firm offer from a third party to undertake such an arrangement. The offer is in excess of the carrying value of the asset at 31 December 2008. The offer is subject to a number of conditions and normal due diligence. In order to finalise this offer, the Company is required to prepare the required legal documentation and obtain agreement from its financiers as to release of security and the use of funds. These undertakings are presently being carried out, and further announcements will be made when new information becomes available.

### SUMMARY OF FINANCIAL PERFORMANCE

To enable a comparison of the Half Year Report for the period ended 31 December 2008, the following table summarises the financial performance of the Company as shown in the Half-Year financial statements:

	Half Year ended 31 December	
	2008 (\$)	2007 (\$)
Operating Revenue	15,504,826	3,285,892
EBITDA	377,423	(668,702)
EBIT	123,510	(512,052)
Net Profit (Loss) after tax	(744,593)	(482,260)

The financing component comprises both cash and non-cash items under our main banking facility and implied interest costs under the Westmead Rehabilitation Hospital leasing arrangements. The non-cash components amount to \$320,562.



**PULSE HEALTH LIMITED**

**A.B.N. 69 104 113 760**

**APPENDIX 4D**

**FINANCIAL INFORMATION**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**PULSE HEALTH LIMITED**  
**A.B.N. 69 104 113 760**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

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**Corporate Directory**

**DIRECTORS**

Mr Stuart James	- Chairman
Dr John Hewson	- Deputy Chairman
Mr Peter Mangles	- Managing Director
Dr Barry Landa	- Non-Executive Director
Mr Trevor Beazley	- Non-Executive Director
Mr Andrew Gregory	- Non-Executive Director

**COMPANY SECRETARY**

Mr David Franks

**REGISTERED OFFICE**

Suite 4, Level 5,  
Airport Central Tower  
241 O'Riordan St,  
Mascot, NSW 2061

**SOLICITORS TO THE COMPANY**

Access Business Lawyers  
Level 8, 15 Castlereagh Street,  
Sydney NSW 2000

**AUDITORS**

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](http://www.pulsehealth.net.au)

## PULSE HEALTH LIMITED

### Directors' report

Your directors present their report on the consolidated entity of Pulse Health Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

### Directors

The following persons were directors of Pulse Health Limited during or since the end of the half-year and up to the date of this report:

Mr. Stuart James  
Dr. John Hewson  
Mr. Peter Mangles  
Dr. Barry Landa  
Mr. Trevor Beazley  
Mr. Andrew Gregory

### Review of operations

The Group had a net loss after tax for the half-year period ended 31 December 2008 of \$744,593 (2007: Loss of \$482,260) or a loss of 0.54 cents per share (2007: Loss of 0.74 cents per share).

The Company is continuing to implement its strategic plan. During the period, the Group completed the transaction involving Westmead Rehabilitation Hospital on 1 November 2008. This acquisition has created significant operational revenues for the Group. In the half-year period ended 31 December 2008, the revenue contributions were:

Operation	Period Operated	Segment	Revenues Half-Year to 31 December	
			2008 \$	2007 \$
Care Call Pty Ltd	Half-Year to 31 December 2008	Community Care	1,985,265	2,173,687
Northside Nursing	Half-Year to 31 December 2008	Community Care	193,317	155,041
Bega Valley Private Hospital Pty Ltd	Half Year to 31 December 2008	Private Hospital	921,757	599,669
Recruitment Specialist Group Pty Ltd	Half Year to 31 December 2008	Recruitment & Locums	979,996	316,886
North Coast Community Care Pty Ltd	Half Year to 31 December 2008	Community Care	1,008,596	-

Operation	Period Operated	Segment	Revenues	
			Half-Year to 31 December 2008 \$	2007 \$
Gympie Private Hospital Pty Ltd	Half Year to 31 December 2008	Private Hospital	2,281,078	-
Forster Private Hospital Pty Ltd	Half Year to 31 December 2008	Private Hospital	4,794,095	-
South Burnett Private Hospital Pty Ltd	Half Year to 31 December 2008	Private Hospital	1,337,840	-
Westmead Rehabilitation Centre Pty Ltd	From Acquisition 1 November 2008	Private Hospital	2,021,182	-
Pulse Health Limited	Half-Year to 31 December 2008	Holding Company	-	40,609
Eliminations on consolidation			(18,300)	-
<b>Total Revenues</b>			<b><u>15,504,826</u></b>	<b><u>3,285,892</u></b>

During this initial developmental and growth phase of the Group, it has put into place a number of strategies to integrate the acquired business units and achieve synergies and efficiencies across the Group. These integration processes have been advanced with advantages being achieved. Further integration of the businesses continues with a view to centralising non core hospital functions.

The management of key performance indicators within the hospital has been implemented with a number demonstrable advances in terms of work hours, revenue per patient day and occupancy being achieved. However in relation to the financial performance of the Group there remains a short fall in the results against the Group's forecasts.

Key activities earmarked for the first half of the year did not occur due to timing and external obstructions, these included the delay in the introduction of new beds at Forster Private Hospital, 457 visa applications and the procurement of permanent staff via the recruitment division. These initiatives are expected to be realised in the second half of the financial year.

The Group experienced a decrease in activity compared to historic levels during the period especially during the mild winter period. Occupancy and referrals were decreased during this reporting period which impacted on occupancy rates and revenue.

## **Auditor's independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

Handwritten signature of Peter Mangles in black ink.

Mr. Peter Mangles  
Managing Director

Handwritten signature of Dr. Barry Landa in black ink.

Dr. Barry Landa  
Director

Sydney, 27 February 2009

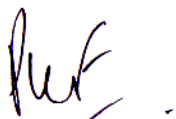


**Auditor's Independence Declaration**

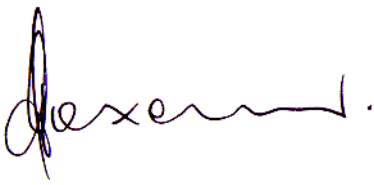
As lead auditor for the review of Pulse Health Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



PKF



**Grant Saxon**  
Partner

Sydney, 27 February 2009

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**PULSE HEALTH LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

		Half-year 31 December	
	Notes	2008 \$	2007 \$
<b>Revenue from continuing operations</b>		15,504,826	3,285,892
Employee benefit expense		(10,447,820)	(2,780,102)
Depreciation and amortisation expense		(253,913)	(30,570)
Occupancy costs		(543,640)	(118,011)
Medical consumables and supplies expense		(940,517)	(137,329)
Other expenses		(3,195,426)	(625,674)
Finance costs		(1,217,304)	(126,080)
Costs associated with unfulfilled acquisitions		-	(106,258)
<b>Loss before income tax</b>		(1,093,794)	(638,132)
Income tax benefit	5	349,201	155,872
<b>Loss after tax from continuing operations</b>		(744,593)	(482,260)
<b>Loss for the half-year</b>		(744,593)	(482,260)
 <b>Earnings per share from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic (cents per share)		(0.54)	(0.74)
Diluted (cents per share)		(0.54)	(0.74)

**The above consolidated income statement should be read in conjunction with the accompanying notes.**

**PULSE HEALTH LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	<b>31 December 2008 \$</b>	<b>30 June 2008 \$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	41,224	592,131
Trade and other receivables	4,574,721	3,652,928
Inventories	407,596	317,514
Financial assets	-	35,698
Current tax assets	155,738	132,699
Other current assets	44,217	40,562
<b>Total Current Assets</b>	<u>5,223,496</u>	<u>4,771,532</u>
<b>NON CURRENT ASSETS</b>		
Trade and other receivables	250,000	250,000
Property, plant and equipment	11,189,900	10,859,798
Deferred tax assets	1,716,782	990,047
Financial assets	347,671	
Intangible assets	32,099,301	18,806,057
<b>Total Non Current Assets</b>	<u>45,603,654</u>	<u>30,905,902</u>
<b>TOTAL ASSETS</b>	<u>50,827,150</u>	<u>35,677,434</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	4,236,639	2,437,348
Short-term financial liabilities	239,240	-
Borrowings	17,610,414	16,581,593
Provisions	1,752,568	1,255,698
Other liabilities	1,086,197	565,686
<b>Total Current Liabilities</b>	<u>24,925,058</u>	<u>20,840,325</u>
<b>NON CURRENT LIABILITIES</b>		
Borrowings	11,832,175	9,053
Provisions	354,907	319,257
Deferred tax liabilities	91,000	66,656
Other Liabilities	3,062,644	3,136,184
<b>Total Non Current Liabilities</b>	<u>15,340,726</u>	<u>3,531,150</u>
<b>TOTAL LIABILITIES</b>	<u>40,265,784</u>	<u>24,371,475</u>
<b>NET ASSETS</b>	<u>10,561,366</u>	<u>11,305,959</u>
<b>EQUITY</b>		
Issued capital	13,736,292	13,352,867
Share based payments reserve	302,000	685,425
Accumulated losses	(3,476,926)	(2,732,333)
<b>TOTAL EQUITY</b>	<u>10,561,366</u>	<u>11,305,959</u>

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

**PULSE HEALTH LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

CONSOLIDATED	Issued capital	Accumulated losses	Share based payments reserve	Total equity
	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	<u>2,186,526</u>	<u>(1,610,525)</u>	<u>585,932</u>	<u>1,161,933</u>
Loss for period	-	(482,260)	-	(482,260)
<b>Total recognised income and expense</b>	<u>2,186,526</u>	<u>(2,092,785)</u>	<u>585,932</u>	<u>679,673</u>
Shares issued in public offer	10,361,001	-	-	10,361,001
Shares issued in business acquisition	500,000	-	-	500,000
Capital raising costs	(628,379)	-	-	(628,379)
<b>Balance at 31 December 2007</b>	<u>12,419,148</u>	<u>(2,092,785)</u>	<u>585,932</u>	<u>10,912,295</u>
<b>Balance at 1 July 2008</b>	<u>13,352,867</u>	<u>(2,732,333)</u>	<u>685,425</u>	<u>11,305,959</u>
Loss for period	-	(744,593)	-	(744,593)
<b>Total recognised income and expense</b>	<u>13,352,867</u>	<u>(3,476,926)</u>	<u>685,425</u>	<u>10,613,366</u>
Expiry of share options	383,425	-	(383,425)	-
<b>Balance at 31 December 2008</b>	<u>13,736,292</u>	<u>(3,476,926)</u>	<u>302,000</u>	<u>10,561,346</u>

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

**PULSE HEALTH LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<b>Half-year</b>	
	<b>31 December</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	14,959,858	3,053,314
Payments to suppliers and employees	(14,148,885)	(3,660,285)
Interest paid	(725,260)	(45,460)
Income tax paid	(38,260)	(24,306)
<b>Net cash inflow (outflow) from operating activities</b>	47,453	(676,737)
<b>Cash flows from investing activities</b>		
Payments for purchase of subsidiaries and businesses, net of cash acquired	(356,901)	(4,543,648)
Purchase of property, plant and equipment	(171,595)	(124,853)
Interest received	15,064	31,895
<b>Net cash outflow in investing activities</b>	(513,432)	(4,636,606)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and other equity securities	-	9,769,478
Proceeds from / (Repayment of) borrowings	(240,000)	3,361,911
<b>Net cash inflow from financing activities</b>	(240,000)	13,131,389
Net increase in cash and cash equivalents	(705,979)	7,818,046
Cash and cash equivalents at the beginning of the period	127,295	1,212,267
<b>Cash and cash equivalents at the end of the period</b>	(578,684)	9,030,313
Represented by:		
Bank overdraft (current borrowings)	(619,908)	
Cash and cash equivalents	41,224	
	(578,684)	

**The above consolidated cash flow statement should be read in conjunction with the accompanying notes.**

**PULSE HEALTH LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2008**

**1. CORPORATE INFORMATION**

The financial report of Pulse Health Limited and controlled entities (the "Group") for the half year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 27 February 2009.

Pulse Health Limited is a company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange under the symbol PHG.

The nature of the operations of the Group is described in the Directors' Report.

**2. BASIS OF PREPARATION**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting".

The interim financial report should be read in conjunction with the annual financial report of Pulse Health Limited as at 30 June 2008.

It is also recommended that the interim financial report be considered together with any public announcements made by Pulse Health Limited and its controlled entities during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report.

The interim financial report does not include all the notes of the type normally included within the annual financial report. Accordingly, it cannot be expected to provide as full an understanding of the financial performance, financial position and financial and investing activities of the consolidated entity as the full financial report.

**3. GOING CONCERN BASIS**

The Group has accumulated losses of \$3,476,926 as at 31 December 2008 (30 June 2008: accumulated losses of \$2,732,333) and recorded a loss after tax for the half year after tax of \$744,593 (31 December 2007: loss \$482,260) and as at 31 December 2008 has a working capital deficiency of \$19,701,562 (30 June 2008: deficiency \$16,068,793).

Included in current liabilities are \$2,000,000 of convertible notes that mature on 30 June 2009 and senior debt of \$12,900,000, which matures in December 2009. The Company was in technical breach of one of its banking covenants during the half year. The directors do not expect the convertible notes will be converted into shares.

**PULSE HEALTH LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2008 (continued)**

**3. GOING CONCERN BASIS (continued):**

Notwithstanding this, the interim 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.

Management's assessment of the going concern basis has been made based on the following actions that are being implemented:

- The Group is at an advanced stage of entering into a sale and leaseback transaction for its land and buildings at Gympie Private Hospital, the proceeds of which will be used to settle outstanding convertible notes and pay down debt;
- Management is in discussions with the Group's financiers and are confident that following the sale of the land and buildings at Gympie, finance facilities will be renewed to enable the continuation of the Group's strategy;
- The Group's activities have significantly increased in comparison to the same period last year, with operations of businesses acquired on 7 April 2008 (Forster Private Hospital, Gympie Private Hospital, South Burnett Private Hospital and North Coast Community Care) being included for the full period for the first time. In addition, the operations of Westmead Rehabilitation Hospital have been included from 1 November 2008.

However, if economic circumstances lead to transactions and events not occurring as planned, there will be insufficient funds for the Group to meet its financing obligations within this period. As a result, there is a possibility that the Group will need to realise assets at a value that is less than their fair value at the time, which may also be less than the amounts which are stated in this financial report. If these events occur, there is material uncertainty in relation to the Group's ability to continue as a going concern.

**4. SEGMENT REPORTING**

The company 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.

**PULSE HEALTH LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Half-Year Ended 31 December 2008 (continued)

**4. SEGMENT REPORTING (continued)**

Half-Year Ended 31 December 2008	Private Hospitals \$	Community Care \$	Health Recruitment \$	Parent \$	Consolidated \$
<b>Segment Revenues</b>					
Sales to Customers	11,351,623	3,182,455	930,402	-	15,464,480
Intersegmental sales	-	-	18,300	-	18,300
Other revenue	4,329	4,723	31,294	-	40,346
Interest income - intersegmental	-	-	-	1,054,466	1,054,466
	<u>11,355,952</u>	<u>3,187,178</u>	<u>979,996</u>	<u>1,054,466</u>	<u>16,577,592</u>
Intersegmental eliminations					(1,072,766)
Unallocated revenues					-
<b>Consolidated revenue</b>					<u>15,504,826</u>
<b>Segment results before interest expense</b>	182,598	27,028	730	(86,846)	123,510
<b>Segment results Loss before income tax</b>	<u>(67,204)</u>	<u>27,028</u>	<u>730</u>	<u>(1,054,348)</u>	<u>(1,093,794)</u>
Income tax credit					349,201
<b>Net loss for the half year</b>					<u>(744,593)</u>
<b>Half-Year Ended 31 December 2007</b>					
<b>Segment Revenues</b>					
Sales to Customers	502,118	2,327,870	301,284	-	3,131,272
Intersegmental sales	-	-	-	-	-
Other revenue	97,551	858	15,602	40,609	154,620
Interest income - intersegmental	-	-	-	-	-
	<u>599,669</u>	<u>2,328,728</u>	<u>316,886</u>	<u>40,609</u>	<u>3,285,892</u>
Intersegmental eliminations					-
Unallocated revenues					-
<b>Consolidated revenue</b>					<u>3,285,892</u>
<b>Segment results before interest expense</b>	140,686	237,523	52,765	(943,026)	(476,052)
<b>Segment results Loss before income tax</b>	<u>140,686</u>	<u>237,523</u>	<u>52,765</u>	<u>(1,069,106)</u>	<u>(638,132)</u>
Income tax credit					155,872
<b>Net loss for the half-year</b>					<u>(482,260)</u>



**PULSE HEALTH LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2008 (continued)**

**5. INCOME TAX**

The company has recognised the benefits of tax losses incurred in the half year to 31 December 2008 of \$349,201 (31 December 2007: \$155,872) because based on its latest forecast, the company has assessed that these losses are probable in their recovery.

Unrecognised tax losses at 30 June 2008 with a benefit of \$365,742 has not been recognised as a benefit in the current period. This amount is currently being assessed for recoverability and consequently is not being brought into the books of the Company as a deferred tax asset in this half year.

**6. DIVIDENDS**

	Half-year ended 31 December 2008		Half-year ended 31 December 2007	
	Cents per share	Total \$	Cents per share	Total \$
<b><u>Recognised amounts</u></b>				
<b>Fully paid ordinary shares</b>				
Final dividend	0.0	-	0.0	-
<b><u>Unrecognised amounts</u></b>				
<b>Fully paid ordinary shares</b>				
Interim dividend	0.0	-	0.0	-

**7. 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.

**PULSE HEALTH LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2008 (continued)**

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, bed licenses and other operating assets. The value of the intangibles on acquisition was \$12,996,000 with a corresponding lease liability recognised.

Westmead contributed revenues of \$2,021,182 during the period from 1 November to 31 December 2008.

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

#### **Griffith Private Hospital**

Also during the half year, on 25 November 2008, the company incorporated a 100% controlled subsidiary called Griffith Private Hospital Pty Ltd, with \$100 share capital. This was incorporated to develop, in conjunction with the local community a private hospital in Griffith, with the Group managing the hospital.

### **9. CONTINGENCIES AND COMMITMENTS**

#### **Purchase Agreement Entered into**

As disclosed in the June 2008 financial statements, the Group has entered into a purchase agreement for the acquisition of Allied Employment Group Pty Ltd (trading as Allied Employment Group). Allied Health Employment is an Australian based Medical Recruitment firm.

The purchase agreement stipulates that settlement must take place within six months of the agreement. The purchase price is \$1.1 million plus net tangible assets. To date, the Group has acquired 25% of Allied. If settlement does not occur, a 5% penalty of amounts paid, plus interest to the rate of 9% on amounts unpaid shall be incurred by the Group and the share already acquired would be to be relinquished in a reversing transaction.

The Group is currently pursuing funding to complete this transaction.

**PULSE HEALTH LIMITED  
DIRECTORS' DECLARATION**

**Directors' declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 18 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Australian Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Pulse Health Limited will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read "Peter May". The signature is fluid and cursive, with a large initial "P" and "M".

Managing Director  
**Sydney, 27 February 2009**

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pulse Health Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pulse Health Limited ("the Company"), which comprises the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Pulse Health Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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### *Independence*

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

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

### *Material Uncertainty Regarding Continuation as a Going Concern*

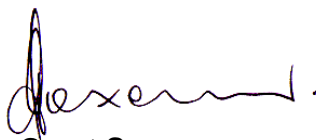
Without qualifying our conclusion, we draw attention to Note 3 of the interim financial report which indicates that the consolidated entity has accumulated losses of \$3,476,926 as at 31 December 2008 (30 June 2008: accumulated losses of \$2,732,333) and recorded a loss after tax for the half year after tax of \$744,593 (31 December 2007: loss \$482,260) and as at 31 December 2008 has a working capital deficiency of \$19,701,562 (30 June 2008: deficiency \$16,068,793).

Included in current liabilities are \$2,000,000 of convertible notes that mature on 30 June 2009 and senior debt of \$12,900,000, which matures in December 2009. The Consolidated Entity was in technical breach of one of its banking covenants during the half year. The directors do not expect the convertible notes will be converted into shares.

These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Entity's ability to continue as a going concern, and therefore whether the Consolidated Entity may realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the half-year financial report.



**PKF**



**Grant Saxon**  
Partner

Sydney, 27 February 2009