

Appendix 4D Results for announcement to the market

Pulse Health Limited (ACN 104 113 760)

This half-year report is provided to the Australian Securities Exchange (ASX) under ASX listing Rule 4.2A.3.

Current reporting period: Half – Year ending 31 December 2016

Previous corresponding period: Half – Year ending 31 December 2015

Results from continuing operations		Percentage Change %	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue	up	42%	49,455	34,932
Net profit/(loss) after tax attributable to members	up	>100%	2,242	(812)
Net profit after tax from continuing operations before significant items	up	34%	3,928	2,940
Earnings per share - basic (cents)	up	>100%	0.93	-0.48
Net tangible assets per share (cents)	down	-100%	-0.02	9.2

	Amount per security (cents)	Franked amount per security (cents)
Dividend (interim)	NIL	NIL

No dividend has been declared.

Key Dates

Dividend record date	N/A
Dividend payment date	N/A
Last date for DRP election notices	N/A

Overview of Financial Performance

I. Profit Summary

The reported revenues from continuing operations for IH17 have increased by 42% to \$49.5m (IH16: \$34.9m), with underlying EBITDA from continuing operations (being the operating result of the Group before significant items) increasing 59% to \$7.2m (IH16:\$4.5m). The reported net profit after tax from continuing operations for the period ended 31 December 2016 was \$2.4m (IH16: \$812k loss). After excluding significant items, the net profit after tax was \$3.9m, a 34% increase on the prior period.

The key drivers of underlying growth include the full period contribution of the Australian day surgery sites acquired in early 2016 and the 6 month contribution of Boulcott Hospital (NZ) acquired on 1 July 2016.

\$'000	IH17	IH16	▲%
Revenue	49,455	34,932	42%
EBITDA-R (underlying) *	12,799	8,415	52%
EBITDA (underlying) *	7,205	4,523	59%
EBIT (underlying)*	6,132	3,936	56%
Interest expense (net)	(957)	(599)	
Profit before tax (underlying)	5,175	3,337	55%
Tax	(1,247)	(397)	
Net profit after tax (underlying)	3,928	2,940	34%
Significant items non-recurring items*			
Acquisition activity expenses and associated costs	(1,527)	(1,635)	
Deferred consideration adjustment	2,341	-	
Gold Coast Surgical Hospital ramp-up costs	(2,363)	(2,117)	
Net profit/(loss) after tax as reported	2,379	(812)	393%
EPS basic - NPAT before significant items	1.53	1.73	
EPS basic - NPAT as reported	0.93	(0.48)	

* Non AIFRS financial information is reconciled to AIFRS information at item 4 below.

2. Balance Sheet

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

\$'000	IH17	FY16
Total equity	92,187	90,051
Cash	4,243	16,648
Borrowings	32,901	30,196
Net debt / (cash)	28,658	13,548
NTA	(5,980)	8,123
Gearing (%)	24%	13%
NTA per share (cents)	-0.02	3.2

3. Outlook

FY17 Underlying EBITDA⁽¹⁾ guidance reaffirmed at between \$13.5m and \$15.5m from established assets.

Gold Coast Surgical Hospital anticipated to turn to profit in FY18, in line with previous guidance. Expected FY17 full year ramp up loss of c. \$4.5m.

(1) Underlying EBITDA excludes:

- ramp-up costs associated with the Gold Coast Surgical Hospital
- one-off acquisition costs and costs of the proposed acquisition by Health Care
- deferred consideration adjustments

4. AIFRS Reconciliation (not subject to audit review)

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

	IH17 \$'000	IH16 \$'000
Net profit after tax from continuing operations as reported	2,379	(812)
Income tax (benefit)/expense	178	(519)
Depreciation and amortisation	1,787	851
Finance costs (net)	957	599
Rent expense	6,935	5,280
Acquisition activity expenses and associated costs (note 1)	1,527	1,635
Deferred consideration adjustment (note 2)	(2,341)	-
Ramp up costs - Gold Coast Surgical Hospital (note 3)	1,377	1,381
EBITDA-R *	12,799	8,415
Rent paid (note 4)	(5,594)	(3,892)
EBITDA *	7,205	4,523
Depreciation and amortisation (note 4)	(1,073)	(587)
EBIT *	6,132	3,936
Finance costs (net)	(957)	(599)
Profit before tax	5,175	3,337
Income tax expense (note 4)	(1,247)	(397)
Net profit after tax from continuing operations	3,928	2,940

For the first half of 2017 the following significant and non-recurring expenses were incurred:

- Note 1. During the period the Company incurred costs of \$1.527m associated with the acquisition of Australian and New Zealand sites and costs associated with the Health Care scheme of arrangement.
- Note 2. The fair value of contingent consideration for The Hills Clinic was adjusted by \$520k, and the fair value of contingent consideration for Zenitas Holdings (Hobson/Healthwoods) was adjusted by \$1.821m.
- Note 3. Ramp up losses associated with the greenfield hospital on the Gold Coast, opened on 31 August 2015.
- Note 4. Excludes greenfield hospital costs.

Pulse Health Limited

A.B.N. 69 104 113 760

Interim Financial Report

31 December 2016

Pulse Health Limited

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Pulse Health Limited

DIRECTORS' REPORT 31 DECEMBER 2016

Your directors present their report on the consolidated entity (referred to hereafter as the “consolidated entity” or the “Group”) consisting of Pulse Health Limited (referred to hereafter as the “Company” or “Pulse”) and the entities it controlled at the end of, or during, the half year ended 31 December 2016.

Directors

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

Mr Stuart James	(Chairman)
Mr Craig Coleman	(Non-Executive Director)
Ms Phillipa Blakey	(Managing Director & CEO)
Mr David L. Manning	(Non-Executive Director)

Principal Activity

The principal activity of the consolidated entity during the half year was the operation of specialist private hospitals and surgery centres.

Review of Operations

The profit for the consolidated entity after providing for income tax amounted to \$2,379,000 (31 December 2015: \$812,000 loss).

The reported profit includes one-off items associated with the execution of the acquisition pipeline (\$1,527,000) together with the ramp-up loss of the greenfield hospital at Varsity Lakes, Gold Coast (\$3,432,000) and deferred consideration adjustment gain of \$2,341,000. After excluding these costs, the net profit before tax and significant items is \$5,175,000 (31 December 2015: \$3,337,000).

Significant Changes in the State of Affairs

On 1 July 2016, the Company acquired the Boulcott Hospital in New Zealand for NZD\$16.0m.

On 30 November 2016 the Company entered a scheme implementation deed (“Scheme”) for Healthe Care Australia Pty Ltd to acquire 100% of the outstanding shares in Pulse for a cash consideration of \$0.47 per share. Shareholders will be given the opportunity to vote on the Scheme at a meeting scheduled to be held on 22 March 2017. Subject to approval from the Supreme Court of New South Wales, shareholder approval, and the other conditions of the Scheme being satisfied, the Scheme is expected to be implemented on 6 April 2017.

The Board of Directors of Pulse unanimously recommend that the Pulse shareholders vote in favour of the Scheme at the upcoming Scheme meeting, in the absence of a superior proposal and subject to the independent expert reaffirming that the scheme is in the best interest of the Pulse shareholders.

There were no other significant changes in the state of affairs of the consolidated entity for the half year ended 31 December 2016.

**DIRECTORS' REPORT
31 DECEMBER 2016**

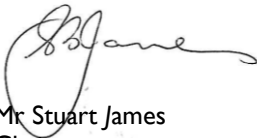
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Rounding of Amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that legislative instrument.

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



Mr Stuart James
Chairman

Sydney, 28 February 2017



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Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF PULSE HEALTH LIMITED

As lead auditor for the review of Pulse Health Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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 period.

John Bresolin
Partner

BDO East Coast Partnership

Sydney, 28 February 2017

Pulse Health Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		Consolidated	
		For the half year ended	
		December 31	
	Note	2016	2015
		\$000's	\$000's
Revenue		49,455	34,932
Other income	3	2,930	-
		52,385	34,932
Employee benefits expense		(23,611)	(19,450)
Rent and outgoings		(6,935)	(5,280)
Medical consumables and supplies		(7,215)	(3,249)
Repairs and maintenance		(786)	(441)
Medical contractors		(1,994)	(1,185)
Professional fees		(88)	(168)
Finance costs		(966)	(635)
Corporate, acquisition and integration costs		(1,527)	(1,635)
Depreciation and amortisation expense		(1,787)	(851)
Other expenses		(4,919)	(3,369)
Profit/(Loss) from continuing operations before income tax		2,557	(1,331)
Income tax (expense)/benefit		(178)	519
Profit/(Loss) from continuing operations after income tax		2,379	(812)
Profit/(Loss) for the half year attributable to owners of the company		2,379	(812)
Other Comprehensive Loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(137)	-
Other comprehensive loss for the year, net of tax		(137)	-
Total comprehensive income/(loss) attributable to owners of the company		2,242	(812)
Total comprehensive income/(loss) for the year attributable to ordinary equity holders of the company from continuing operations		2,242	(812)
Earnings/(Loss) per share from continuing operations			
Basic (cents per share)			
From continuing operations		0.93	(0.48)
Diluted (cents per share)			
From continuing operations		0.92	(0.48)

The accompanying notes form part of these financial statements.

Pulse Health Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		Consolidated	
	Note	31 Dec 2016	30 Jun 2016
		\$000's	\$000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		4,243	16,648
Trade and other receivables		13,266	12,904
Inventories		1,992	1,352
Current tax asset		804	398
Total Current Assets		20,305	31,302
NON CURRENT ASSETS			
Property, plant and equipment		25,785	23,560
Deferred tax assets		3,647	3,716
Intangible assets		98,167	81,928
Total Non Current Assets		127,599	109,204
TOTAL ASSETS		147,904	140,506
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		8,586	7,523
Borrowings		1,962	822
Employee benefit liability		3,955	3,609
Other liabilities		5,835	1,872
Total Current Liabilities		20,338	13,826
NON CURRENT LIABILITIES			
Borrowings		30,939	29,374
Deferred tax liabilities		161	44
Employee benefit liability		493	527
Other liabilities		3,786	6,684
Total Non Current Liabilities		35,379	36,629
TOTAL LIABILITIES		55,717	50,455
NET ASSETS		92,187	90,051
EQUITY			
Contributed equity	4	97,895	98,046
Reserves		179	271
Accumulated losses		(5,887)	(8,266)
TOTAL EQUITY		92,187	90,051

The accompanying notes form part of these financial statements.

Pulse Health Limited

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Contributed equity	Share based payments reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$000's	\$000's	\$000's	\$000's	\$000's
Balance as at 1 July 2016	98,046	271	-	(8,266)	90,051
Profit after income tax for the half year	-	-	-	2,379	2,379
Other comprehensive income/(loss) for the half year net of tax	-	-	(137)	-	(137)
Total comprehensive income/(loss) for the half year	-	-	(137)	2,379	2,242
Transactions with owners in their capacity as owners:					
Capital raising costs	(49)	-	-	-	(49)
Deferred tax asset movement on capital raising costs	(102)	-	-	-	(102)
Share based payments	-	45	-	-	45
Dividends paid	-	-	-	-	-
Balance at 31 December 2016	97,895	316	(137)	(5,887)	92,187
Balance as at 1 July 2015	56,402	170	-	(3,124)	53,448
Loss after income tax for the half year	-	-	-	(812)	(812)
Other comprehensive income for the half year net of tax	-	-	-	-	-
Total comprehensive income for the half year	-	-	-	(812)	(812)
Transactions with owners in their capacity as owners:					
Capital raised	31,596	-	-	-	31,596
Capital raising costs	(1,605)	-	-	-	(1,605)
Deferred tax asset movement on capital raising costs	266	-	-	-	266
Share based payments	-	26	-	-	26
Dividends paid	-	-	-	(501)	(501)
Balance at 31 December 2015	86,659	196	-	(4,437)	82,418

The accompanying notes form part of these financial statements.

Pulse Health Limited

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Notes	Consolidated	
		For the half year ended	
		December 31	
		2016	2015
		\$000's	\$000's
Cash flows from operating activities			
Receipts from customers (incl. GST)		50,489	35,064
Payment to suppliers and employees (incl. GST)		(43,959)	(33,330)
		<u>6,530</u>	<u>1,734</u>
Income tax paid		(403)	(1,321)
Interest paid		(952)	(603)
Payments of acquisition and integration costs		(1,527)	(1,635)
Net cash inflow/(outflow) from operating activities		<u>3,648</u>	<u>(1,825)</u>
Cash flows from investing activities			
Payments for business acquisition	7	(15,217)	-
Payments of deferred consideration		(1,160)	(2,176)
Payments for plant and equipment		(1,790)	(9,264)
Proceeds from sale of Gympie freehold		-	6,830
Proceeds from sale of equipment		20	-
Interest received		9	36
Net cash outflow from investing activities		<u>(18,138)</u>	<u>(4,574)</u>
Cash flows from financing activities			
Proceeds from the issue of shares		-	31,596
Share issue costs		-	(1,605)
Dividend paid		-	(493)
Finance lease payments		(465)	(45)
Proceeds from borrowings		2,550	3,950
Net cash inflow from financing activities		<u>2,085</u>	<u>33,403</u>
Net (decrease)/increase in cash and cash equivalents		<u>(12,405)</u>	<u>27,004</u>
Cash and cash equivalents beginning of the period		16,648	3,491
Cash and cash equivalents at end of the period		<u>4,243</u>	<u>30,495</u>
Represented by:			
Cash and cash equivalents		<u>4,243</u>	<u>30,495</u>

The accompanying notes form part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

1. Corporate information

The financial report of Pulse Health Limited and controlled entities for the half year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 28 February 2017.

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

2. Basis of preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2016 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for profit-oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Pulse Health Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending accounting standards and interpretations adopted

The Group has adopted all accounting standards and interpretations applicable from 1 July 2016. The adoption of the new standards and interpretations has had no material impact on the recognition, measurement and disclosure of any assets, liabilities or the income statement for the period.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

Pulse Health Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

3. Other income

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Gain on re-measurement of deferred consideration ⁽¹⁾	2,341	-
Compensation payment for compulsory acquisition of leasehold	589	-
Total other income	2,930	-

(1) The fair value of contingent consideration for The Hills Clinic was adjusted by \$520k and the fair value of contingent consideration for Zenitas Holdings (Hobson/Healthwoods) was adjusted by \$1.821m.

4. Contributed equity

Securities on issue at reporting date

	Number
Listed fully paid ordinary shares	257,079,905

Unlisted performance rights

Tranche 4	315,000
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Unlisted options

B Class	500,000
C Class	500,000

Movement in shares

Opening balance at 1 July 2016	257,079,905
Closing balance at 31 December 2016	257,079,905

Movement in performance rights

	Tranche 3	Tranche 4
Opening balance at 1 July 2016	945,000	315,000
Cancelled ⁽¹⁾	(945,000)	-
Closing balance at 31 December 2016	-	315,000

(1) Appendix 3B lodged 3 January 2017

At 31 December 2016, the tranche 3 performance condition was not satisfied at the expiry date so the tranche 3 performance rights were cancelled on 3 January 2017.

Tranche 4 performance rights expire if the relevant VWAPs are not achieved.

Pulse Health Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Movement in options	A Class	B Class	C Class
Opening balance at 1 July 2016	500,000	500,000	500,000
Cancelled	(500,000)	-	-
	<hr/>	<hr/>	<hr/>
Closing balance at 31 December 2016	-	500,000	500,000

The principal terms of the remaining options are as follows:

	B Class	C Class
Exercise price	60.5 cents	63 cents
Vesting date	20/07/2017	20/07/2018
Expiry	19/08/2017	19/08/2018

5. Dividends

No dividends were paid or declared during the reporting period.

6. Segment information

Management currently identifies the Group's single service line as its operating segment. The operating segment is monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

Management assesses the performance of the operating segment based on a measure of underlying EBITDA. This measurement basis excludes significant expenditure from the operating segments such as acquisition, transaction and integration costs, effects of equity-settled share based payments, corporate office costs, finance costs, depreciation and amortisation, and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

Transactions between segments are carried out at arm's length and are eliminated on consolidation. Segment revenues reported to the board of directors are measured in a manner consistent with that in the income statement.

Pulse Health Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the half year ended 31 December 2016 is as follows:

Half year ended 31 December 2016 \$000's	Private Hospitals		Corporate Overhead	Total
	Established	Greenfield	(Unallocated)	
Revenue from external customers	46,388	3,058	9	49,455
Other revenue	-	-	589	589
Total segment revenue	46,388	3,058	598	50,044
Gain on re-measurement of deferred consideration				2,341
Total revenue				52,385
Segment EBITDA	8,112	(2,718)	(907)	4,487
Depreciation and amortisation	(1,001)	(714)	(72)	(1,787)
Segment EBIT	7,111	(3,432)	(979)	2,700
Finance costs (net)				(957)
Net profit before tax				1,743
Corporate, acquisitions and integration costs				(1,527)
Deferred consideration adjustment				2,341
Net profit before tax				2,557
Tax expense				(178)
Net profit after tax				2,379

Half year ended 31 December 2015 \$000's	Private Hospitals		Corporate Overhead	Total
	Established	Greenfield	(Unallocated)	
Revenue from external customers	33,954	942	36	34,932
Total segment revenue	33,954	942	36	34,932
Segment EBITDA	6,179	(2,769)	(1,656)	1,754
Depreciation and amortisation	(526)	(264)	(61)	(851)
Segment EBIT	5,652	(3,033)	(1,717)	903
Finance costs (net)				(599)
Net profit before tax				304
Corporate, acquisitions and integration costs				(1,635)
Deferred consideration adjustment				-
Net loss before tax				(1,331)
Tax benefit				519
Net loss after tax				(812)

Pulse Health Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Segment Assets \$ 000's	Private Hospitals	Corporate Overhead (Unallocated)	Total
31 December 2016	136,484	11,420	147,904
30 June 2016	119,185	21,321	140,506

7. Acquisition of business

On 1 July 2016 the Company completed the acquisition of 100% of the assets of the Boulcott Hospital in Wellington, New Zealand. Boulcott Hospital is a specialised surgical hospital and represents the Group's beachhead into the New Zealand private hospital market. The fair values of the assets and liabilities acquired are provisional and pending final valuations.

	AUD \$'000
<i>Provisional fair value recognised on acquisition</i>	
Amount settled in cash	15,217
Fair value of contingent consideration	3,879
Total	19,096
 <i>Recognised amounts of identifiable assets</i>	
<i>Assets</i>	
Property, plant and equipment	2,320
Trade and other receivables	35
Deferred tax asset	93
Inventories	582
Other	16
	3,046
 <i>Liabilities</i>	
Provisions	(332)
	(332)
Total identifiable net assets at fair value	2,714
Goodwill arising on acquisition (provisional value)	16,382

The initial accounting for the acquisition of Boulcott Hospital has only been provisionally determined at the end of the half-year. At the end of the half-year, the final determination of the earnings that would give rise to the payment of the deferred consideration has not been finalised and the fair value of the deferred consideration has therefore only been provisionally carried at the maximum amount payable.

Acquisition-related costs amounting to \$511,000 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the half-year, within the 'Corporate, acquisition and integration costs' line item.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

Goodwill of \$16,382,000 is primarily related to growth expectations, expected future profitability, and expected cost synergies. Goodwill has been allocated to the Group's Private Hospital Division at 31 December 2016. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Included in the profit before tax for the half-year is \$1,312,000 attributable to Boulcott Hospital. Revenue for the half-year includes \$9,555,000 in respect of Boulcott Hospital.

8. Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2016 and 30 June 2016:

	Level 3	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Financial Liabilities		
Contingent Consideration		
Opening balance	5,288	5,615
Acquired through business combination (note 7)	3,879	2,888
Revaluation recognised in statement of profit or loss and other comprehensive income (note 3)	(2,341)	(1,039)
Payment of deferred consideration	(1,160)	(2,176)
Total liabilities	5,666	5,288

Valuation inputs and sensitivity for fair value measurements categorised within level 3

The fair value of contingent consideration related to the acquisitions is estimated using a present value technique. The \$5,666,000 fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 4.1%. The probability-weighted cash outflows reflects management's estimate of the likely deferred consideration payable. The discount rate used is 4.1%, based on the Group's estimated incremental borrowing rate for similar financial liabilities at the reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

9. Subsequent events

No matters or circumstances have arisen since 31 December 2016 that have significantly affected or may significantly affect:

- (a) The consolidated entity's operations in future financial years; or
- (b) The results of those operations in future financial years; or
- (c) The consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporate Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.



Mr Stuart James
Chairman

Sydney, 28 February 2017

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, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pulse Health Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



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 2016 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*.

BDO East Coast Partnership

BDO


John Bresolin
Partner

Sydney, 28 February 2017