




ANNUAL REPORT 2015

ATCOR MEDICAL HOLDINGS LIMITED

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A person wearing a white lab coat is holding a tablet computer. The tablet screen displays two line graphs. The top graph has a y-axis labeled 'Pressure, mmHg' and an x-axis labeled 'CVP'. It shows a blue line with a peak labeled 'P₂' and a formula $AP = (P_2 - P_1) \times 100$. The bottom graph has a y-axis labeled 'Time (sec)' and an x-axis labeled 'RM'. It shows a red line with a peak labeled 'RM' and a formula $RM = (P_2 - P_1) \times 100$.

This financial report is the consolidated financial report of AtCor Medical Holdings Limited and its subsidiaries. The financial report is presented in the Australian currency. AtCor Medical Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Suite 11, 1059-1063 Victoria Road, West Ryde NSW 2114. A description of the nature of the consolidated entity's operations and its principal activities is included in the CEO's report on pages 4 to 6 and in the directors' report on pages 9 to 20, both of which are not part of this financial report. The financial report was authorised for issue by the directors on 20 August 2015. The company has the power to amend and reissue the financial report. Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Group. All press releases, financial reports and other information are available at our Investors section on our website – atcormedical.com.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

FY2015 was a critical year for AtCor. From a financial performance standpoint we posted steady progress over the prior year – with modest constant currency growth and a significant drop in after-tax losses. We also completed the successful raising of \$5 million through a share placement to sophisticated investors and a fully underwritten rights issue. We thank you for your support.

Whilst overall revenue growth was modest, AtCor did demonstrate strong sales growth in some sectors, in particular our US clinical practice and research businesses with each segment growing over 50% to the prior corresponding period. These gains, however, were offset by continued weakness in our pharmaceutical sales – which we believe is caused by ongoing delays in many of the large pharmaceutical companies' drug development programs – and we do not believe that we have lost any market share in this area.

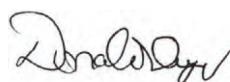
By far the most significant progress that was made during this past year was the breakthrough towards gaining clinical adoption of SphygmoCor in the US market.

During the year the Renal Physicians Association applied for, and was granted, a CPT1 code that will allow physicians to be reimbursed for carrying out the tests that SphygmoCor can provide. The quantum to be reimbursed will be made known before year-end and the code will become effective from 1 January 2016. This enormous achievement is the result of years of hard work by many people in the medical profession, both within AtCor and by a large number of forward thinking physicians and relevant medical societies. This outcome signals the beginning of the next stage of AtCor's journey to make SphygmoCor a critical tool for clinicians to help them better manage their patients.

Further important progress was made through both the North American Artery Association and the prestigious American Heart Association, as these organisations outlined their position on the importance of the information provided through SphygmoCor for physicians to assist them in patient management.

These and several other developments mean that AtCor is now better placed than ever to penetrate the large US clinical practice market. There is still work to be done to make this a reality, but it would not have been possible to achieve without the major progress in the past year.

I want to thank our shareholders for your patience and continued support. I also wish to thank our highly dedicated AtCor employees and clinician supporters for their tireless efforts to bring the SphygmoCor technology into mainstream medical practice.



Donal O'Dwyer
Sydney, Australia

20 August 2015



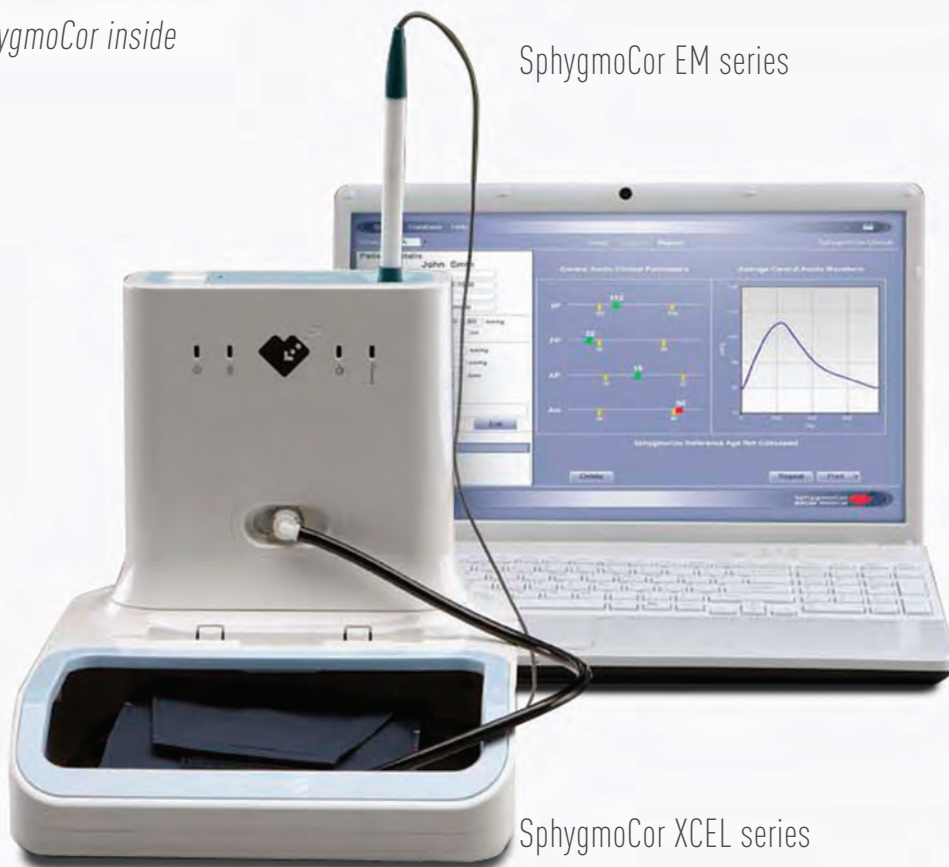


Oscar 2 with SphygmoCor inside

SPHYGMOCOR GOLD STANDARD
TECHNOLOGY IS DELIVERED ON THREE
DISTINCT PRODUCT PLATFORMS



SphygmoCor EM series



SphygmoCor XCEL series

KEY EVENTS IN 2015



American Medical Association awards...

Category 1 CPT code covering the SphygmoCor test. This is the highest level of code a procedure can be awarded in USA. The code takes effect from 1 January 2016.



CE Mark certification received...

for Oscar2 with SphygmoCor inside allowing sales to commence in Europe, Australia and select Asian countries.



North American Artery Society expert panel publishes...

guidance for central aortic waveform analysis in patient care – concludes that this provides a valuable complement to brachial blood pressure measurement.



American Heart Association releases...

a statement on the importance of measuring arterial stiffness, having found the carotid-femoral pulse wave velocity and central aortic waveform analysis are established clinically and can be used independently to predict cardiovascular risk and as a target for intervention.



USA selects...

SphygmoCor for use in a publicly funded cholesterol lowering study in obesity.

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholder,

The 2015 financial year was a seminal year for AtCor Medical, made possible by a decade of hard work by both AtCor staff and key opinion leader physicians to establish the SphygmoCor system and the measures it provides of central aortic blood pressures, central wave form analysis and arterial stiffness as important, clinically relevant tests in medicine. These efforts culminated in the US Renal Physicians Association's filing for a CPT-1 (Common Procedural Terminology) code which describes the SphygmoCor test with the American Medical Association. Approval for the code was received in March 2015.

A CPT-1 code is the highest level procedural code available in the United States and is reserved for medical procedures that have both proven clinical efficacy and received widespread support from medical societies for their use in clinical practice. The new code which forms the basis for widespread clinical adoption of SphygmoCor, and equitable reimbursement for physicians, becomes effective from 1 January 2016.

The achievement of the most important strategic objective since AtCor's founding substantially eliminates the risk to our business model and opens for AtCor the US clinical practice market valued at over US\$900 million. Key events that will precede introduction of the code include the announcement by the US Centres for Medicare and Medicaid Services, expected in November 2015, of the amount of reimbursement per test that physicians will receive.

Medicare, which covers 50 million retirees, will commence reimbursement from 1 January 2016. This population group stands to benefit immensely as nearly 60% are deemed hypertensive, which is also known as higher than normal blood pressure. Private health insurance plans which represent the vast majority of the remaining market – more than 200 million covered lives – are expected to follow Medicare's lead; they will conduct an internal review prior to issuing a coverage decision. AtCor and its consultants have begun the process of meeting with private health insurance plans to educate them on the new code and the over 900 peer reviewed publications that have fully validated the clinical usefulness of SphygmoCor as the undisputed market and technology leader.

MEETING THE OPPORTUNITY

AtCor has always taken a measured, good steward approach to ensure investment did not occur too far ahead of revenue. As the CPT-1 code readies for launch, this adds the vast US clinical market to our existing served markets in basic and pharmaceutical research. This means over US\$1 billion of the global US\$2 billion potential market for our products and services is now open to AtCor. The company will now begin to invest in reasonable scale to meet the opportunity. To fund this investment in sales, marketing and customer support, the company recently raised \$5 million through a successful share placement to sophisticated investors and a fully underwritten rights issue.

FAVOURABLE ENVIRONMENT FOR UP-TAKE OF SPHYGMOCOR

Both the US Government and private health funds are grappling with exploding healthcare costs. Premiums for private plans in some States are expected to rise by 40% in 2016. For the past three years private health funds have been subsidised by the US government against losses. This was to offset both the number of new patients they were asked to enrol with pre-existing conditions, and the broad spectrum of medical services mandated under the Affordable Care Act (Obama Care). According to the health law these subsidies expire at the end of 2015 and as there is no appetite in a Republican-led Congress to re-write this portion of the law, premiums for private plans are expected to rise substantially.

To address this challenge Medicare, private health funds and doctors are under significant economic and political pressure to become more efficient and to embrace more fully preventative and individualised medicine. This will accelerate the US healthcare delivery systems transition from a high cost, late stage disease model toward a new, more sustainable model of earlier identification and less costly intervention, enabling clinical problems to be addressed at their most treatable stage. SphygmoCor fully aligns with this objective. Our device, relative to many other cardiovascular devices, is both non-invasive and low cost. While patients may have the same brachial or cuff blood pressure, their central pressures will vary and cannot be inferred. The actionable information we produce shows whether an individual is at risk or not; whether intervention is required; and if already under treatment, whether the right drug or drug combination has been selected. With over US\$300 billion being spent annually on the direct and indirect costs of cardiovascular disease this is the disease category which receives the highest level of spending, and

the payers' top target. Recently, Medicare released their proposed 2016 reimbursement price schedule for treating patients on kidney dialysis (end stage renal disease). One of three new measures they propose, which could affect reimbursement levels for individual kidney doctors, is their effectiveness at cardiovascular disease prevention. We also note feedback from AtCor's private payer consultant that we are receiving strong interest in the upcoming CPT code compared to other technologies they have represented. We believe payers will be receptive to new ways of controlling their most burdensome disease category.

SUPPORT FOR CLINICAL ADOPTION FROM MEDICAL SOCIETIES

Medical Society support is absolutely critical to support market up-take of SphygmoCor. During May, the North American Artery Society released the findings of an expert panel, published in the Journal of Clinical Hypertension. The publication provided guidance with patient case illustrations of using central aortic pressure waveform analysis in clinical practice. In July, the prestigious American Heart Association (AHA) published a comprehensive statement on arterial stiffness. The authors stated that clinical measures of arterial stiffness (carotid-femoral pulse wave velocity) and central aortic pressure waveform analysis were established clinically and can be used to independently predict risk of cardiovascular morbidity and mortality. SphygmoCor is the only commercial device that meets all of the statement's recommended requirements for carotid-femoral pulse wave velocity, central aortic pulse wave analysis and can be performed on a single device. Regarding the size of treatment effect, both measurements were highly rated in the top category assigned by the AHA, receiving a Class 1 designation.

FY2015 REVIEW

AtCor's FY2015 sales were \$5.47 million, up 8.3%, or 1.1% on a constant currency basis, compared to sales in the previous corresponding period (pcp), and for the third consecutive year, all geographic regions posted positive contribution earnings. US clinical practice sales in advance of the CPT-1 code's introduction grew 52%. Driven by government funded studies, US sales to researchers were equally strong, growing 58%. While US sales growth was impressive and Asian sales increased by 23%, the global pharmaceutical trials business continued to experience delays and sales declined \$0.7 million, down 38% on the pcp. AtCor retains a strong pipeline of potential new business, and has not lost any pharmaceutical contracts to competitors. Europe and Australia/New Zealand sales posted declines, based primarily on delayed orders.

Gross margin was 83.3%, up from 81.3% in the pcp.

Despite strong foreign exchange headwinds and some additional investment in front of CPT-1, expenses grew a modest 4.3% to the pcp, and were flat on a constant currency basis. The loss after income tax was \$1.5 million, compared to a loss of \$2.7 million in FY2014. Of this improvement, a significant proportion is attributable to favourable foreign exchange movements.

Cash at 30 June 2015 was \$3.45 million, compared to \$2.17 million at 30 June 2014. Net cash outflows from operating activities for the year were \$1.97 million compared to net cash outflows from operating activities of \$1.36 million in FY2014, primarily attributable to lower customer receipts.

During the year in addition to achieving our CPT-1 objectives and the supportive guidelines from relative medical societies, a number of other key objectives were met.

DE-RISKING THE BUSINESS

While the US CPT-1 code has substantially de-risked AtCor's business, we remain focused on the diversification of our pharmaceutical business. This year, we engaged new companies and added to the number of therapeutic areas in which we conduct trials. This included engagement with three new companies with which we expect to sign contracts over the next year. We also re-engaged with a company to commence an important trial in gout which is now underway. While we continued to experience contract delays, we did not lose any business. We expect over time our pharmaceutical business will return to growth. The pharmaceutical industry has taken note of the CPT-1 code which has led to increased up-take of SphygmoCor in the clinical market, and the rising incidence of drug effects being measured by doctors with our technology. We expect from our meetings that this will drive increased demand for SphygmoCor in pharmaceutical trials.



EFFECTIVE PARTNERING

AtCor will continue to embrace effective partnering by signing with key alliance partners for mutual benefit and to leverage our growth.

In May, we announced the release of our co-developed product with SunTech Medical (a Halma plc company), Oscar 2 with SphygmoCor inside, in Europe, select Asian markets and Australia. SunTech's market leading 24-hour ambulatory blood pressure monitor is now available with central blood pressures measurement. We expect to receive US FDA clearance to sell the product in the United States in the next two months. This expands AtCor's product platform to three distinct devices and opens a new market segment for our technology. This product is also the first to contain SphygmoCor technology on a codified chip, allowing for further co-branding and partnership opportunities with original equipment manufacturers.

We completed a successful clinical study using SphygmoCor to assist cardiac pacemaker implantation. SphygmoCor measurement helped to modify settings to optimise pacemaker performance during implantation and annual patient examination. Commercialisation discussions are underway with two potential partners.

GEOGRAPHICAL REVENUE DIVERSIFICATION

We are focused on increasing the rate of sales growth in Asia, and in 2015 more than doubled our growth rate from 8% to 23%. This followed new initiatives in markets such as China and Korea which are now beginning to accelerate market penetration. We are also in advanced negotiations with a potential distribution partner in Japan, and anticipate agreement with a major partner before the end of 2015.

IN CLOSING

The AtCor team is highly motivated to succeed and focused on the opportunity in front of us. I would like to thank you, our investors, for making this opportunity possible as we continue to seek ways to maximise shareholder value. These are exciting times for AtCor Medical. We look forward to keeping you apprised of our progress and sincerely thank you for your continued support.

Sincerely,



Duncan R. Ross
Chicago, Illinois USA

20 August 2015

“ All 15 hospitals on the US News & World Reports Best Hospitals Honor Roll (2015–2016) use the SphygmoCor system. ”



1. Massachusetts General Hospital, Boston, MA | 2. Mayo Clinic, MN | 3. Johns Hopkins Hospital, Baltimore, MD | 4. UCLA Medical Center, Los Angeles, CA | 5. Cleveland Clinic, OH | 6. Brigham & Women's Hospital, Boston, MA | 7. New York-Presbyterian University Hospital of Columbia and Cornell, NY | 8. UCSF Medical Center, San Francisco, CA | 9. Hospitals of the University of Pennsylvania-Penn Presbyterian, PA | 10. Barnes-Jewish Hospital/Washington University, St Louis, MO | 11. Northwestern Memorial Hospital, Chicago IL | 12. NYU Langone Medical Center, NY | 13. UPMC-University of Pittsburgh Medical Center, PA | 14. Duke University Hospital, Durham, NC | 15. Stanford Health Care-Stanford Hospital, CA

2015 MEDICAL CONFERENCES



AtCor continues to maintain a presence at key medical conferences around the world. Among the 2015 medical conferences attended were:

AMERICAN SOCIETY OF HYPERTENSION

The US AtCor team hosted a symposium at the American Society of Hypertension in May 2015. The symposium focused on “Applying technological innovations on blood pressure measurement for improved outcomes in treatment and management”.

More than 200 doctors attended the AtCor session.

1. Julia Feygin, AtCor Vice President, Scientific and Clinical Affairs (appointed in March 2015) at the AtCor stand.
2. Raymond R. Townsend, MD and President, North American Artery and Vice President, American Society of Hypertension has been a long term user of SphygmoCor.
3. Domenic A. Sica, MD and President, American Society of Hypertension attended the symposium.
4. The US team answering attendees' questions at the AtCor stand.

NORTH AMERICAN ARTERY ASSOCIATION FIFTH ANNUAL MEETING

AtCor was the key sponsor at the North American Artery Association's Fifth Annual Meeting in September 2015 where leading academics and clinicians met to discuss the latest research into arterial stiffness, cardiovascular risk and patient outcomes.

5. Professor Alberto Avolio, Biomedical Engineering in The Australian School of Advanced Medicine at Macquarie University presents to the group.
6. Meeting attendees networking at the event dinner sponsored by AtCor.

ANNUAL FINANCIAL REPORT 2015

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of AtCor Medical Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015.

DIRECTORS

The following persons were directors of AtCor Medical Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- D. O'Dwyer
- D. R. Ross
- M. F. O'Rourke
- P. R. Jenkins
- D. L. Brookes

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of designing, manufacturing and marketing medical devices for use in cardiovascular management.

DIVIDENDS – ATCOR MEDICAL HOLDINGS LIMITED

No dividend was paid during the financial year and the directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

The Group recorded sales of devices and services to hospitals, research institutions, pharmaceutical companies and clinicians during the year of \$5,467,457 (2014: \$5,053,284). The loss for the year after income tax amounted to \$1,440,177 (2014: loss of \$2,663,508). Further information on the operations and financial position of the Group and its business strategies and prospects is set out in the CEO's report on pages 4 to 6 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the close of the financial year AtCor Medical has completed a fully underwritten 1:10 rights issue to shareholders at \$0.18/share. The issue raised \$3,202,811 before fees. The issue price of \$0.18/share was the market value at the time of issue.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

All company products comply with the RoHS standard that is a requirement in the European Union. Otherwise the Group is not subject to any specific environmental legislation or regulations.

INFORMATION ON DIRECTORS

Donal O'Dwyer BEng, MBA

Chairman – Independent non-executive. Age 62.

Experience and expertise

Independent director of the Group since September 2004 and chairman since November 2004. Extensive experience in the cardiovascular sector. Prior to joining the AtCor Board he was worldwide President of Cordis Cardiology, the cardiology division of Johnson & Johnson.

Other current directorships

Non-executive director for three other listed public companies: Cochlear Ltd, Mesoblast Ltd and Fisher & Paykel Healthcare Corporation Ltd.

Former directorships in last three years

Sunshine Heart Inc.

Special responsibilities

- Chairman of the Board
- Member of audit and risk committee
- Member of remuneration and nomination committee

Interests in shares and options

Indirect: 4,529,055 ordinary shares in AtCor Medical Holdings Limited

Duncan R. Ross BS

Managing Director and CEO. Age 57.

Experience and expertise

Executive director of the Group since November 2006. Over 30 years in life sciences and medical device industry. Most recently Group President Fisher Scientific Inc and Apogent Technologies Inc prior to joining AtCor Medical.

Other current directorships

None

Former directorships in last three years

None

Special responsibilities

CEO

Interests in shares and options

Direct: 2,103,052 ordinary shares in AtCor Medical Holdings Limited

6,000,000 options over ordinary shares in AtCor Medical Holdings Limited

Indirect: Nil

Dr Michael O'Rourke A.M. MD, DSc

Non-executive director. Age 78.

Experience and expertise

Co-founder and inventor of the core technology for the SphygmoCor system. Co-author of the standard reference textbook *McDonald's Blood Flow in Arteries*. He also serves on the editorial Boards for the American Heart Association journal *Hypertension*, and on the editorial Boards of *Journal of Hypertension*, *American Journal of Hypertension* and *Journal of American Society of Hypertension*.

Other current directorships

Victor Chang Foundation

Former directorships in last three years

None

Special responsibilities

None

Interests in shares and options

Indirect: 10,641,396 ordinary shares in AtCor Medical Holdings Limited

Peter Jenkins DSc (honorary)

Independent non-executive director. Age 80.

Experience and expertise

Has served on the AtCor Group's Board since 2000, including four years as chairman. Consultant to Colonial First State Private Equity until his retirement in December 2005. Previously had over 30 years experience in the pharmaceutical and medical diagnostics industry.

Other current directorships

None

Former directorships in last three years

None

Special responsibilities

- Chair of remuneration and nomination committee
- Member of audit and risk committee

Interests in shares and options

Direct: 1,330,334 ordinary shares in AtCor Medical Holdings Limited

Dr David Brookes MBBS, FACRRM, FAICD

Independent non-executive director. Age 55.

Experience and expertise

Independent director for the Group since November 2008. A Fellow of the Australian College of Rural and Remote Medicine. He currently works as a general medical practitioner and has extensive experience in rural Australia, especially in paediatric and procedural practice.

Other current directorships

Non-executive director and chairman of Reproductive Health Science Ltd

Former directorships in last three years

None

Special responsibilities

- Chair of audit and risk committee
- Member of remuneration and nomination committee

Interests in shares and options

Direct: 174,082 ordinary shares in AtCor Medical Holdings Limited

Indirect: 987,490 ordinary shares in AtCor Medical Holdings Limited

COMPANY SECRETARY

The company secretary is Peter Manley (BBus, CPA, ACIS). Peter was appointed to the position of company secretary in March 2005. He also holds the position of Chief Financial Officer. Before joining AtCor Medical Holdings Limited he was Company Secretary and CFO for Sirtex Medical Ltd, a publicly listed medical device company. Prior to this he has held financial positions in a variety of large Australian and foreign-owned corporations.

MEETINGS OF DIRECTORS

The numbers of meetings of the company's Board of directors and of each Board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of non-executive directors		Meetings of committees			
					Audit		Remuneration	
	A	B	A	B	A	B	A	B
D. O'Dwyer (Chairman)	10	10	8	8	2	2	2	2
D. R. Ross (CEO)	10	10	*	*	**	**	**	**
M. F. O'Rourke	10	10	8	8	**	**	**	**
P. R. Jenkins	10	10	8	8	2	2	2	2
D. L. Brookes	9	10	7	8	2	2	2	2

A Number of meetings attended

B Number of meetings held during the time the director held office or was a member of the committee during the year

* Not a non-executive director

** Not a member of the relevant committee

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

- M. F. O'Rourke retired by rotation as a director and was re-elected on 31 October 2014.
- D. L. Brookes retired by rotation as a director and was re-elected on 31 October 2014.

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A – Principles used to determine the nature and amount of remuneration
- B – Details of remuneration
- C – Service agreements
- D – Share based compensation
- E – Additional information.

The information provided under headings A – E includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

A – PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- capital management.

Alignment to shareholders' interests:

- has company growth as a core component of plan design
- focuses on sustained long-term growth in shareholder wealth
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in company value
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board also refers to external surveys to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors are entitled to receive share options, following approval by the shareholders of AtCor Medical Holdings Limited.

Directors' fees

The current base remuneration was last reviewed with effect from 1 January 2009. Fees are inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The pool currently stands at \$260,000, excluding share-based payments that are subject to separate shareholder approval.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- long-term incentives through participation in the AtCor Medical Holdings Employee Share Option Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. No external remuneration advisors were engaged during the financial year. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executives' contracts.

Benefits

Executives receive benefits that may include health insurance and car allowances.

Retirement benefits

Statutory superannuation payments are made quarterly to a fund selected by Australian based executives. Executives may also elect to salary sacrifice additional payments to their fund. No other retirement benefits are offered.

Short-term incentives

Each executive has a target short-term incentive (STI) opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance.

Each year, the remuneration committee considers the appropriate financial targets and performance management objectives (PMOs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2015, the PMOs linked to STI plans were based on group, individual business and personal objectives. The PMOs required performance in growing sales revenue, managing operating expenses and cash, and achieving specific targets in relation to project advancement, as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods. These PMOs are specific to each of the senior executive and payout (funding) is linked to sales performance.

The remuneration committee is responsible for assessing whether the PMOs are met. To help make this assessment, the committee receives detailed reports on performance from management.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

The STI target annual payment is reviewed annually.

AtCor Medical Holdings Employee Share Option Plan

Information on the AtCor Medical Holdings Share Option Plan is set out on pages 15 to 17.

Voting and comments made at the AtCor Medical Holdings Limited 2014 AGM

AtCor Medical Holdings Limited received a unanimous "yes" vote on a show of hands and 99% "yes" votes from proxies for its remuneration report for the 2014 financial year. No comments or specific feedback regarding the Group's remuneration practices were received at the AGM or through the year.

Company performance

There is a strong correlation between sales performance and STI payouts, with non-financial targets also being increased or decreased in line with sales outcomes. For FY2015 sales were marginally better than the previous year and well short of budget in most regions. This resulted in a significantly reduced average STI payout of approximately 20% of target.

B – DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of AtCor Medical Holdings Limited and the Group are set out in the following tables.

The key management personnel of the Group are the directors of AtCor Medical Holdings Limited (see pages 9 to 10 above) and those executives who report directly to the CEO or who have authority to significantly influence the direction of the Group. The executives are:

- Peter Manley – Chief Financial Officer
- Douglas Kurschinski – Senior Vice President & General Manager, AtCor Medical Inc
- Mark Harding – Vice President, Global Marketing & International Sales, AtCor Medical Pty Ltd

The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed *Short-term incentives* above. Options and bonuses are granted at the discretion of the Board, on recommendation from the remuneration committee. Other elements of remuneration are not directly related to performance.

D. R. Ross and D. Kurschinski are paid in USD as they are US-based executives. Changes in base pay and non-monetary benefits are partly attributable to the weaker AUD against the USD through FY2015 (Ave rate FY2015: 0.8417, FY2014: 0.9114).

Key management personnel of the Group

	Short-term employee benefits			Post-employment benefits	Long term benefits		Share based payment	
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Termination benefits \$	Options \$	Total \$
2015								
Non-executive directors								
D. O'Dwyer (Chairman)	92,661	—	—	8,571	—	—	—	101,232
M. F. O'Rourke	42,932	—	—	2,568	—	—	—	45,500
P. R. Jenkins	51,660	—	—	3,090	—	—	—	54,750
D. L. Brookes	50,153	—	—	4,639	—	—	—	54,792
Sub-total non-executive directors	237,406	—	—	18,868	—	—	—	256,274
Executive directors								
D. R. Ross (CEO)	425,734	65,671	23,839	—	—	—	68,217	583,461
Other key management personnel								
P. Manley	198,701	12,605	739	29,991	2,272	—	13,452	257,760
D. Kurschinski	315,121	63,768	23,724	—	—	—	21,358	423,971
M. Harding	222,165	15,585	—	29,808	8,654	—	15,411	291,623
Totals	1,399,127	157,629	48,302	78,667	10,926	—	118,438	1,813,089
2014								
Non-executive directors								
D. O'Dwyer (Chairman)	92,661	—	—	8,571	—	—	—	101,232
M. F. O'Rourke	42,932	—	—	2,568	—	—	—	45,500
P. R. Jenkins	51,660	—	—	3,090	—	—	—	54,750
D. L. Brookes	50,153	—	—	4,639	—	—	—	54,792
Subtotal non-executive directors	237,406	—	—	18,868	—	—	—	256,274
Executive directors								
D. R. Ross (CEO)	373,335	16,826	20,726	—	—	—	88,141	499,028
Other key management personnel								
P. Manley	201,653	5,338	—	19,442	8,344	—	17,362	252,139
D. Kurschinski	279,244	16,633	20,728	—	—	—	30,264	346,869
M. Harding	219,225	39,888	—	25,000	3,547	—	14,065	301,725
Totals	1,310,863	78,685	41,454	63,310	11,891	—	149,832	1,656,035

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk – STI		At risk – LTI	
	2015	2014	2015	2014	2015	2014
Non-executive directors						
D. O'Dwyer (Chairman)	100%	100%	–	–	–	–
M. F. O'Rourke	100%	100%	–	–	–	–
P. R. Jenkins	100%	100%	–	–	–	–
D. L. Brookes	100%	100%	–	–	–	–
Executive directors						
D. R. Ross (CEO)	57%	53%	34%	32%	9%	15%
Other key management personnel						
P. Manley	79%	78%	16%	16%	5%	6%
D. Kurschinski	64%	61%	32%	31%	4%	8%
M. Harding	66%	66%	30%	30%	4%	4%

C – SERVICE AGREEMENTS

Remuneration and other terms of employment for the CEO and the other key management personnel are formalised in employment agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits including health insurance and car allowances, and participation, when eligible, in the AtCor Medical Holdings Employee Share Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with variable notice periods, subject to termination payments as detailed below.

D. R. Ross, CEO

- Term of agreement – permanent. Commenced 8 May 2006.
- Base salary for the year ended 30 June 2015 of US\$370,000 which is reviewed annually by the remuneration committee. Additionally the company contributes to a health plan on the employee's behalf. Value in FY2015 – US\$19,918.
- Bonus potential – 60% of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the six months base salary for the remaining term of the agreement.

In the event of a significant change in duties, material diminution in status or responsibilities, or Mr Ross is required to relocate more than 40 miles from his employment location; a 90-day option to exercise termination is available with payment equal to one year's base salary.

P. Manley, Chief Financial Officer

- Term of agreement – permanent. Commenced 28 February 2005.
- Base salary, inclusive of superannuation, for the year ended 30 June 2015 of \$232,128 which is reviewed annually by the remuneration committee.
- Bonus potential – 20% of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the 1 month base salary for the remaining term of the agreement.

D. Kurschinski, Senior Vice President & General Manager, AtCor Medical Inc.

- Term of agreement – permanent. Commenced 12 April 2004.
- Base salary for the year ended 30 June 2015 of US\$267,806 which is reviewed annually by the remuneration committee.
- Bonus potential – 50% of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to one months base salary for the remaining term of the agreement. In the event of a change in control and if termination occurs within 90 days of the change of control payment of a termination benefit of equal to six months base salary is payable.

M. Harding, Vice President, Global Marketing & International Sales, AtCor Medical Pty Ltd.

- Term of agreement – permanent. Commenced 8 September 2008.
- Base salary, inclusive of superannuation, for the year ended 30 June 2015 of \$255,784 which is reviewed annually by the remuneration committee.
- Bonus potential – 45% of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the 2 months base salary for the remaining term of the agreement.

D – SHARE BASED COMPENSATION

Options

Options are granted under the AtCor Medical Holdings Employee Share Option Plan. All staff are eligible to participate in the plan (including executive directors). Options are granted at the discretion of the Board based on recommendations from the remuneration committee.

Options are granted under the plan for no consideration. Options are granted for a five year period, and one third of each new tranche vests and is exercisable after each of the first three anniversaries of the date of grant.

The terms and conditions of each grant of options affecting remuneration and were under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
17 Feb 2011	17 Feb 2016	\$0.12	\$0.04	17 Feb 2012
17 Feb 2011	17 Feb 2016	\$0.12	\$0.04	17 Feb 2013
17 Feb 2011	17 Feb 2016	\$0.12	\$0.05	17 Feb 2014
21 Oct 2011	21 Oct 2016	\$0.084	\$0.03	21 Oct 2012
21 Oct 2011	21 Oct 2016	\$0.084	\$0.03	21 Oct 2013
21 Oct 2011	21 Oct 2016	\$0.084	\$0.03	21 Oct 2014
16 Feb 2012	16 Feb 2017	\$0.098	\$0.04	16 Feb 2013
16 Feb 2012	16 Feb 2017	\$0.098	\$0.04	16 Feb 2014
16 Feb 2012	16 Feb 2017	\$0.098	\$0.05	16 Feb 2015
23 Aug 2012	23 Aug 2017	\$0.075	\$0.02	23 Aug 2013
23 Aug 2012	23 Aug 2017	\$0.075	\$0.02	23 Aug 2014
23 Aug 2012	23 Aug 2017	\$0.075	\$0.03	23 Aug 2015
5 Oct 2012	5 Oct 2017	\$0.075	\$0.02	5 Oct 2013
5 Oct 2012	5 Oct 2017	\$0.075	\$0.02	5 Oct 2014
5 Oct 2012	5 Oct 2017	\$0.075	\$0.03	5 Oct 2015
26 Oct 2012	26 Oct 2017	\$0.084	\$0.03	26 Oct 2013
26 Oct 2012	26 Oct 2017	\$0.084	\$0.03	26 Oct 2014
26 Oct 2012	26 Oct 2017	\$0.084	\$0.03	26 Oct 2015
19 Nov 2012	19 Nov 2017	\$0.085	\$0.03	19 Nov 2013
19 Nov 2012	19 Nov 2017	\$0.085	\$0.03	19 Nov 2014
19 Nov 2012	19 Nov 2017	\$0.085	\$0.03	19 Nov 2015
29 Aug 2013	29 Aug 2018	\$0.139	\$0.04	29 Aug 2014
29 Aug 2013	29 Aug 2018	\$0.139	\$0.05	29 Aug 2015
29 Aug 2013	29 Aug 2018	\$0.139	\$0.05	29 Aug 2016
31 Oct 2013	31 Oct 2018	\$0.181	\$0.06	31 Oct 2014
31 Oct 2013	31 Oct 2018	\$0.181	\$0.07	31 Oct 2015
31 Oct 2013	31 Oct 2018	\$0.181	\$0.08	31 Oct 2016
28 Aug 2014	28 Aug 2019	\$0.112	\$0.03	28 Aug 2015
28 Aug 2014	28 Aug 2019	\$0.112	\$0.04	28 Aug 2016
28 Aug 2014	28 Aug 2019	\$0.112	\$0.04	28 Aug 2017
24 Mar 2015	24 Mar 2020	\$0.194	\$0.08	24 Mar 2016
24 Mar 2015	24 Mar 2020	\$0.194	\$0.09	24 Mar 2017
24 Mar 2015	24 Mar 2020	\$0.194	\$0.09	24 Mar 2018
25 Jun 2015	25 Jun 2020	\$0.20	\$0.08	25 Jun 2016
25 Jun 2015	25 Jun 2020	\$0.20	\$0.09	25 Jun 2017
25 Jun 2015	25 Jun 2020	\$0.20	\$0.09	25 Jun 2018

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within ten days following the receipt of exercise notice, payment and the original option certificate.

The exercise price of options is to be no less than the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Details of options over ordinary shares in the company provided as remuneration to each director of AtCor Medical Holdings Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of AtCor Medical Holdings Limited. Further information on the options is set out in Note 30 to the financial statements.

Options granted to directors and other key management personnel under the Employee Share Option Plan since 30 June 2015

Nil options have been granted in the period from 30 June 2015 to the date of this report.

Details of option values

The numbers of options to purchase ordinary shares held as at the date of this report by each Director of AtCor Medical Holdings and each of the other key management personnel are listed below. When exercisable, each option is convertible into one ordinary share of AtCor Medical Holdings.

Name	Financial year granted	# of securities	Exercise price	Expiration date	Vested and exercisable at end of financial year
Directors					
D. O'Dwyer (Chairman)	—	—	—	—	—
D. R. Ross (CEO)	2012	2,500,000	\$0.084	21 Oct 16	2,500,000
	2013	1,400,000	\$0.084	26 Oct 17	933,333
	2014	2,100,000	\$0.181	31 Oct 18	700,000
M. F. O'Rourke	—	—	—	—	—
P. R. Jenkins	—	—	—	—	—
D. L. Brookes	—	—	—	—	—
Other executives					
P. Manley	2013	150,000	\$0.075	23 Aug 17	—
	2014	500,000	\$0.139	29 Aug 18	166,667
	2015	200,000	\$0.112	28 Aug 19	—
D. Kurschinski	2011	300,000	\$0.12	17 Feb 16	300,000
	2012	500,000	\$0.098	16 Feb 17	500,000
	2013	1,000,000	\$0.075	23 Aug 17	666,667
	2014	725,000	\$0.139	29 Aug 18	241,667
	2015	275,000	\$0.112	28 Aug 19	—
M. Harding	2011	200,000	\$0.12	17 Feb 16	200,000
	2013	133,333	\$0.075	23 Aug 17	133,333
	2014	300,000	\$0.139	29 Aug 18	100,000
	2015	450,000	\$0.112	28 Aug 19	—

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are 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 model inputs for options granted during the year ended 30 June 2015 included:

- (a) options are granted for no consideration, one third of each tranche vests and is exercisable after each of the first three anniversaries of the date of grant
- (b) average exercise price: \$0.13 (2014: \$0.16)
- (c) expiry date: five years from grant date (2014: five years from grant date)
- (d) Weighted average share price at grant date: \$0.13 (2014: \$0.13)
- (e) expected price volatility of the company's shares: 60% (2014: 60%)
- (f) expected dividend yield: Nil% (2013: Nil%)
- (g) risk free interest rate: 2.25% (2014: 3.0%).

Shares provided on exercise of remuneration options

1,366,667 ordinary shares in the company were issued

as a result of the exercise of remuneration options by directors of AtCor Medical Holdings Limited and other key management personnel of the Group in 2015 (2014: Nil).

No amounts are unpaid on any shares issued on the exercise of options.

E – ADDITIONAL INFORMATION

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

A bonus structure is used to reward executives for performance against short term (current year) Group and personal goals. Longer term company performance is ensured through participation by executives in the company share option plan.

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on pages 13 and 14, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options vest in three equal tranches over three years, provided the beneficiary is still employed by the Group at the time of vesting. No options will vest if this condition is not satisfied, hence the minimum value of the option yet to vest is nil.

	Cash bonus		Financial year granted	Options				
	Paid %	Forfeited %		Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
D. O'Dwyer (Chairman)	—	—	—	—	—	—	—	—
P. R. Jenkins	—	—	—	—	—	—	—	—
M. F. O'Rourke	—	—	—	—	—	—	—	—
D. L. Brookes	—	—	—	—	—	—	—	—
D. R. Ross (CEO)	24%	76%	2012	100%	—	2013	—	—
				100%	—	2014	—	—
				100%	—	2015	—	—
			2013	100%	—	2014	—	—
				100%	—	2015	—	—
				—	—	2016	—	15,942
			2014	100%	—	2015	—	—
				—	—	2016	—	49,492
				—	—	2017	—	52,961

	Cash bonus		Options					
	Paid %	Forfeited %	Financial year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
P. Manley	28%	72%	2011	100%	—	2012	—	—
				100%	—	2013	—	—
				100%	—	2014	—	—
			2012	100%	—	2013	—	—
				100%	—	2014	—	—
				100%	—	2015	—	—
			2013	100%	—	2014	—	—
				100%	—	2015	—	—
				—	—	2016	—	3,853
			2014	100%	—	2015	—	—
				—	—	2016	—	7,680
				—	—	2017	—	8,279
			2015	—	—	2016	—	2,252
				—	—	2017	—	2,461
				—	—	2018	—	2,651
D. Kurschinski	37%	63%	2011	100%	—	2012	—	—
				100%	—	2013	—	—
				100%	—	2014	—	—
			2012	100%	—	2013	—	—
				100%	—	2014	—	—
				100%	—	2015	—	—
			2013	100%	—	2014	—	—
				100%	—	2015	—	—
				—	—	2016	—	8,561
			2014	100%	—	2015	—	—
				—	—	2016	—	11,137
				—	—	2017	—	12,005
			2015	—	—	2016	—	3,097
				—	—	2017	—	3,383
				—	—	2018	—	3,646
M. Harding	14%	86%	2011	100%	—	2012	—	—
				100%	—	2013	—	—
				100%	—	2014	—	—
			2012	100%	—	2013	—	—
				100%	—	2014	—	—
				100%	—	2015	—	—
			2013	100%	—	2014	—	—
				100%	—	2015	—	—
				—	—	2016	—	3,424
			2014	100%	—	2015	—	—
				—	—	2016	—	4,608
				—	—	2017	—	4,967
			2015	—	—	2016	—	5,067
				—	—	2017	—	5,537
				—	—	2018	—	5,966

Share based compensation: Options

Further details relating to options are set out below.

	A	B	C	D	E
	Remuneration consisting of options	Value at grant date \$	Value at exercise date \$	Value at lapse date \$	Total of columns B – D \$
D. O'Dwyer (Chairman)	–	–	–	–	–
D. R. Ross (CEO)	–	–	–	–	–
M. F. O'Rourke	–	–	–	–	–
P. R. Jenkins	–	–	–	–	–
D. L. Brookes	–	–	–	–	–
P. Manley	3%	7,364	73,050	–	80,414
D. Kurschinski	2%	10,125	–	–	10,125
M. Harding	6%	16,569	66,567	–	83,136

A The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.

B The value at grant date calculated in accordance with AASB 2 Share based payment of options granted as part of remuneration.

C The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Shares under option

Unissued ordinary shares of AtCor Medical Holdings Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	No. of shares under option
17 February 2011	17 Feb 2016	\$0.120	1,362,500
21 October 2011	21 Oct 2016	\$0.084	2,500,000
16 February 2012	16 Feb 2017	\$0.098	1,607,500
9 August 2012	9 Aug 2016	\$0.080	1,460,000
23 August 2012	23 Aug 2017	\$0.075	2,955,000
5 October 2012	5 Oct 2017	\$0.075	200,000
26 October 2012	26 Oct 2017	\$0.084	1,400,000
19 November 2012	19 Nov 2017	\$0.085	125,000
29 August 2013	29 Aug 2018	\$0.139	3,193,333
31 October 2013	31 Oct 2018	\$0.181	2,100,000
28 August 2014	28 Aug 2019	\$0.112	1,825,000
24 March 2015	24 Mar 2020	\$0.194	350,000
25 June 2015	25 Jun 2020	\$0.200	150,000
			19,228,333

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

1,786,667 ordinary shares of AtCor Medical Holdings Limited were issued during the year ended 30 June 2015 on the exercise of options granted under the AtCor Medical Holdings Employee Share Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Insurance of officers

During the financial year, AtCor Medical Holdings Limited paid a premium of \$14,950 to insure the director and secretaries of the company and its Australian based controlled entities, and the general managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Corporate Governance

The Company's Corporate Governance statement and Appendix 4G are released to ASX on the same day as the Annual Report is released. The Corporate Governance statement and supporting Board charters can be found on AtCor Medical's website at www.atcormedical.com/board_charters.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 21 to the accounts.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the nonaudit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of nonaudit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all nonaudit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the relevant professional requirements, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

During the year the fees were paid or payable for services provided by the auditor of the parent entity, its related practices and nonrelated audit firms. Details are shown in Note 21 of the audited accounts.

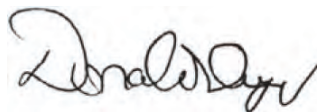
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



Director

Sydney

20 August 2015

AUDITOR'S INDEPENDENCE DECLARATION




Auditor's Independence Declaration

As lead auditor for the audit of AtCor Medical Holdings Limited for the year ended 30 June 2015, 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 AtCor Medical Holdings Limited and the entities it controlled during the period.


Michelle Chiang
Partner
PricewaterhouseCoopers

Sydney
20 August 2015

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

		Consolidated	
	Notes	2015 \$	2014 \$
Revenue from continuing operations			
Revenue from sale of goods and services	5	5,467,457	5,053,284
Other revenue	5	1,496	8,081
Total revenue		5,468,953	5,061,365
Other income	6	1,455,765	502,754
Expenses from ordinary activities			
Cost of sale of goods		(907,180)	(942,887)
Marketing and sales expense		(3,680,121)	(3,746,015)
Product development and regulatory expense		(1,623,980)	(1,384,992)
Occupancy expense		(171,640)	(154,511)
Administration expense		(1,981,974)	(1,927,177)
Foreign exchange loss		—	(72,045)
(Loss) before income tax		(1,440,177)	(2,663,508)
Income tax expense	8	—	—
(Loss) for the year		(1,440,177)	(2,663,508)
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(668,299)	104,068
Total comprehensive (loss) for the year		(2,108,476)	(2,559,440)
Total comprehensive (loss) attributable to members of AtCor Medical Holdings Limited		(2,108,476)	(2,559,440)
		Cents	Cents
Earnings per share for (loss) attributable to the ordinary equity holders of the company:			
Basic earnings per share	29	(0.9)	(1.7)
Diluted earnings per share	29	(0.9)	(1.7)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET

As at 30 June 2015

		Consolidated	
	Notes	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	3,449,943	2,168,156
Trade and other receivables	10	1,548,908	1,547,712
Inventories	11	539,398	537,539
Other	12	163,862	98,287
Total current assets		5,702,111	4,351,694
Noncurrent assets			
Plant and equipment	13	251,485	279,576
Total noncurrent assets		251,485	279,576
Total assets		5,953,596	4,631,270
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,454,345	1,215,573
Provisions	15	128,976	110,728
Total current liabilities		1,583,321	1,326,301
Noncurrent liabilities			
Provisions	16	36,282	21,022
Total noncurrent liabilities		36,282	21,022
Total liabilities		1,619,603	1,347,323
Net assets		4,333,993	3,283,947
EQUITY			
Contributed equity	17	35,830,567	32,850,570
Reserves	18(a)	1,459,498	1,949,272
Accumulated losses	18(b)	(32,956,072)	(31,515,895)
Total equity		4,333,993	3,283,947

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Notes	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013		32,109,909	1,621,411	(28,852,387)	4,878,933
Loss for the year		—	—	(2,663,508)	(2,663,508)
Other comprehensive income		—	104,068	—	104,068
Total comprehensive (loss)/income for the year		—	104,068	(2,663,508)	(2,559,440)
Transactions with equity holders in their capacity as equity holders:					
Capital placement and rights issue (net)	17	740,661	—	—	740,661
Share options expensed	18	—	223,793	—	223,793
		740,661	223,793	—	964,454
Balance at 30 June 2014		32,850,570	1,949,272	(31,515,895)	3,283,947
Loss for the year		—	—	(1,440,177)	(1,440,177)
Other comprehensive (loss)		—	(668,299)	—	(668,299)
Total comprehensive (loss) for the year		—	(668,299)	(1,440,177)	(2,108,476)
Transactions with equity holders in their capacity as equity holders:					
Capital placement and rights issue (net)	17	2,812,430	—	—	2,812,430
Share options exercised	17	167,567	—	—	167,567
Share options expensed	18	—	178,525	—	178,525
		2,979,997	178,525	—	3,158,522
Balance at 30 June 2015		35,830,567	1,459,498	(32,956,072)	4,333,993

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

CASH FLOW STATEMENT

For the year ended 30 June 2015

		Consolidated	
	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		5,772,602	6,191,655
Payments to suppliers and employees (inclusive of goods and services tax)		(8,200,927)	(8,049,558)
		(2,428,325)	(1,857,903)
Other revenue		461,182	485,874
Interest received		1,496	8,081
Net cash (outflow) from operating activities	28	(1,965,647)	(1,363,948)
Cash flows from investing activities			
Payments for plant and equipment		(47,111)	(44,409)
Net cash (outflow) from investing activities		(47,111)	(44,409)
Cash flows from financing activities			
Net proceeds from issue of shares		2,979,997	740,661
Net cash inflow from financing activities		2,979,997	740,661
Net increase/(decrease) in cash and cash equivalents		967,239	(667,696)
Cash and cash equivalents at the beginning of the financial year		2,168,156	2,874,209
Effects of exchange rate changes on cash and cash equivalents		314,548	(38,357)
Cash and cash equivalents at end of financial year	9	3,449,943	2,168,156

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of AtCor Medical Holdings Limited and its subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. AtCor Medical Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial report of AtCor Medical Holdings Limited complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

b) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an

acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AtCor Medical Holdings Limited ("company" or "parent entity") as at 30 June 2015 and the results of all subsidiaries for the year then ended. AtCor Medical Holdings Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(b)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board that is identified as the chief operating decision maker.

e) 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 AtCor Medical Holdings 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 rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised as follows:

i) Medical devices and accessories

A sale is recorded when goods have been dispatched to a customer pursuant to a sales order and the associated risk has passed to the carrier or customer.

ii) Services

Revenue from services is recognised over the period that the service is provided.

iii) Interest

Interest income is recognised when the Group becomes entitled to receive interest. Interest income is recognised at the prevailing interest rates.

g) Government grants

Grants from the government, including the R&D tax concession, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

h) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

k) Cash and equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement on terms between 30 and 90 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

m) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials only. Costs are assigned to individual items of stock on the basis of weighted average costs.

n) Investments and other financial assets

The Group classifies its other financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date that are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

o) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Manufacturing plant and equipment 3 – 10 years.
- Furniture, fixtures and equipment 3 – 5 years.

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 (Note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

p) Intangible assets

i) Patents

Patents have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives. Patents have a useful life of 20 years from grant date.

ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or

use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the period of the expected benefit, which varies between 5 – 10 years.

q) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

r) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

s) Employee benefits

i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

iv) Share based payments

Share based compensation benefits are provided to employees via the AtCor Medical Holdings Employee Share Option Plan (ESOP). Information relating to this scheme is set out in Note 30.

The fair value of options granted under the AtCor Medical Holdings Employee Share Option Plan is recognised as an 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 employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non tradable nature of the option, 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 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. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of directly attributable transaction costs are credited to share capital.

v) Termination benefits

Termination benefits may become payable to some employees in the event of termination prior to expiry of their contract or upon change of control of AtCor Medical Holdings Limited or a subsidiary. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of the employees entitled to termination benefits, or when a change of control of a member of the Group is virtually certain. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance sheet date.

v) Earnings per share

i) Basic earnings per share

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.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

w) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included with other receivables or payables on the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, a tax authority are presented as operating cash flow.

x) Parent entity financial information

The financial information for the parent entity, AtCor Medical Holdings Limited, disclosed in Note 31, has been prepared on the same basis as the consolidated financial statements.

Tax consolidation legislation

AtCor Medical Holdings Limited and its whollyowned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2005.

The head entity, AtCor Medical Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of AtCor Medical Holdings Limited, less impairment losses.

y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. There will be no impact on the Group's accounting for financial assets or liabilities, as the new requirements only affect the accounting for financial assets and liabilities that are designated at fair value through profit or loss and the Group does not have any such items in the current reporting period. The Group will not be adopting AASB 9 early.

ii) AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application i.e. without restating the comparative period. The new rules will only need to be applied to contracts that are not completed as of the initial application. A preliminary assessment has identified recognition of lease revenue as an area that is likely to be affected. At this stage the Group does not believe there will be any material impact on the Group's accounting for revenue. However, the impact on future revenues will be dependent on future revenue contracts and this is yet to be determined. The standard is mandatory for financial years commencing on or after 1 January 2018. The Group will not be adopting AASB15 early.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 2 – CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Group's objectives when managing the company's share capital, reserves and accumulated losses, which represents the Group's 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
- sustain future product development.

Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (primarily currency 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 different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange risk and aging analysis for credit risk.

Financial risk management is carried out by the Chief Financial Officer (CFO) and overseen by the Audit & Risk Committee, a subcommittee of the Board of Directors.

a) Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US Dollar and the Euro.

The Group's exposure to foreign currency exchange risk at the reporting date was as follows:

	30 June 2015		30 June 2014	
	in USD	in EUR	in USD	in EUR
Trade receivables	176,683	152,644	186,050	308,057
Financial assets	342,969	405,572	799,487	277,217
Trade payables	(87,124)	(25,969)	(156,735)	(34,479)

Sensitivity

Based on the financial instruments held at 30 June 2015, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's pre-tax result for the year would have varied by \$62,410/(\$56,168) (2014: \$97,700/(\$87,931)). Had the Australian dollar weakened/strengthened by 10% against the Euro with all other variables held constant, the Group's pre-tax result for the year would have varied by \$85,651/(\$77,086) (2014: \$88,879/(\$79,992)).

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has no significant concentrations of credit risk. For banks and financial institutions, only independently rated and reputable parties are accepted. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Terms of trade provided to creditworthy customers are between 30 and 90 days, whilst customers deemed higher risk arrange a letter of credit or prepay for goods.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities approximates their carrying values.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The financial report is prepared on the basis that the Group will continue as a going concern. The cash flow projection and other consideration made by the directors in these circumstances involve estimates and judgements of future cash flow that are believed to be reasonable.

The investment in subsidiaries recorded in the parent entity is based on discounted cash flow calculations that incorporate judgements and estimates of future earnings that are believed to be reasonable.

NOTE 4 – SEGMENT INFORMATION

a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board considers the business from a geographical perspective and has identified three reportable segments, which are by geographic area.

Geographic areas are:

- Americas (includes global pharmaceutical trials business)
- Europe (includes Middle East and Africa)
- Asia Pacific (includes Asia and Australia/NZ)

b) Segmental information provided to the Board

	Americas \$	Europe \$	Asia Pacific \$	Inter-segment eliminations/ unallocated \$	Consolidated \$
2015					
Sales to external customers	3,916,888	779,781	770,789	–	5,467,457
Intersegment sales	–	–	1,188,109	(1,188,109)	–
Total sales revenue	3,916,888	779,781	1,958,898	(1,188,109)	5,467,457
Other revenue/income	7,107	–	461,182	–	468,289
Total segment revenue/income	3,923,995	779,781	2,420,080	(1,188,109)	5,935,746
Segment result	380,004	30,468	(2,875,366)	–	(2,464,894)
Unallocated revenue less unallocated expenses					1,024,717
Loss before income tax					(1,440,177)
Income tax expense					–
Loss for the year					(1,440,177)

2014

Sales to external customers	3,302,997	1,004,230	746,057	–	5,053,284
Intersegment sales	–	–	1,384,528	(1,384,528)	–
Total sales revenue	3,302,997	1,004,230	2,130,585	(1,384,528)	5,053,284
Other revenue/income	12,305	–	490,449	–	502,754
Total segment revenue/income	3,315,302	1,004,230	2,621,034	(1,384,528)	5,556,038
Segment result	424,811	132,664	(3,143,321)	–	(2,585,846)
Unallocated revenue less unallocated expenses					(77,662)
Loss before income tax					(2,663,508)
Income tax expense					–
Loss for the year					(2,663,508)

c) Notes to and forming part of the segment information

Inter segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an “arm’s length” basis and are eliminated on consolidation.

Segment revenue

Revenues of approximately \$1,048,273 (2014: \$1,643,003) were derived from two customers. These revenues are attributable to the Americas operating segment.

NOTE 5 – REVENUE

	Consolidated	
	2015	2014
	\$	\$
From continuing operations		
Sales revenue		
Sale of goods	4,492,967	3,928,094
Sale of services	974,490	1,125,190
	5,467,457	5,053,284
Other revenue		
Interest	1,496	8,081
	5,468,953	5,061,365

NOTE 6 – OTHER INCOME

	Consolidated	
	2015	2014
	\$	\$
Government grants (Note (a))	–	75,118
R&D tax concession (Note(b))	461,182	410,756
Foreign exchange gains	987,476	–
Others	7,107	16,880
	1,455,765	502,754

a) Government grants

Commercialisation Australia grants of \$Nil (2014: \$75,118) were recognised as other income by the Group during the financial year. There are no unfulfilled conditions or other contingencies attaching to these grants.

b) R&D tax concession

A refund of \$461,182 was received from the Australian Tax Office under the R&D tax concession program in 2015 (2014: \$410,756).

NOTE 7 – EXPENSES

	Consolidated	
	2015	2014
	\$	\$
Loss before income tax includes the following specific expenses:		
Depreciation on plant and equipment	88,056	98,503
Employee benefit expense	5,271,975	5,030,171
Rental expense relating to operating leases	171,640	154,511
Research and development	1,223,658	1,023,552

NOTE 8 – INCOME TAX EXPENSE

a) Income tax expense

The income tax expense for the financial year differs from the amount calculated on the (loss). The differences are reconciled as follows:

	Consolidated	
	2015 \$	2014 \$
(Loss) from continuing operations before income tax expense	(1,440,177)	(2,663,508)
Tax at the Australian tax rate of 30% (2014 30%)	(432,053)	(799,052)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income – R&D tax concession	(138,354)	(123,166)
Share based payment	53,558	67,138
Sundry items	377	484
	(516,472)	(854,596)
Differences in overseas tax rates	126,259	181,393
Benefit of tax losses and temporary differences not recognised	390,213	673,202
Income tax expense	–	–

(b) Tax losses

	Consolidated	
	2015 \$	2014 \$
Unused tax losses for which no deferred tax asset has been recognised:	24,963,763	23,821,437
Potential tax benefit*	7,986,229	7,451,886

* Tax rate varies between different jurisdictions where the Group has operations (Australia and USA)

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

c) Tax consolidation legislation

AtCor Medical Holdings Limited and its whollyowned Australian controlled entities are consolidated for income tax purposes. The accounting policy in relation to this legislation is set out in Note 1(x).

As at the date of this report the entities in the tax consolidation group had not entered into a tax sharing agreement. No compensation has been received or paid for any current tax payable or deferred tax assets relating to tax losses assumed by the parent entity since implementation of the tax consolidation regime.

NOTE 9 – CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2015	2014
	\$	\$
Cash at bank and on hand	3,449,943	2,168,156
	3,449,943	2,168,156

a) Cash at bank and on hand

These are a combination of non-interest bearing and interest bearing at floating interest rates between 0.0% and 0.5% (2014: 0.0% and 0.5%).

NOTE 10 – CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015	2014
	\$	\$
Trade receivables	1,565,168	1,564,068
Less: Provision for doubtful debts (a)	(40,872)	(52,637)
	1,524,296	1,511,431
Other receivables	24,612	36,281
	1,548,908	1,547,712

a) Impaired trade receivables

As at 30 June 2015 current trade receivables of the Group with a nominal value of \$40,872 (2014: \$52,637) were impaired. The amount of the provision was \$40,872 (2014: \$52,637).

	Consolidated	
	2015	2014
	\$	\$
At 1 July	52,637	57,819
Provision for impairment recognised during the year	8,454	13,943
Receivables written off during the year as uncollectible	(20,219)	(19,125)
	40,872	52,637

The creation and release of the provision for impaired receivables has been included in 'marketing and sales expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

b) Past due but not impaired

As of 30 June 2015, trade receivables of \$160,215 (2014: \$267,689) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2015 \$	2014 \$
0 – 30 days	58,786	210,845
30 – 60 days	48,377	19,030
> 60 days	53,052	37,814
	160,215	267,689

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 received when due.

c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

d) Fair value, foreign exchange and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the risk management policy of the Group, the credit quality and foreign currency risk of the Group's trade receivables.

NOTE 11 – CURRENT ASSETS – INVENTORIES

	Consolidated	
	2015 \$	2014 \$
Raw materials and stores at cost	452,033	452,379
Finished goods at cost	87,365	85,160
	539,398	537,539

Inventories recognised as expense during the year ended 30 June 2015 amounted to \$329,514 (2014: \$437,449). A charge of \$Nil was taken to write-off obsolete inventories in the year ended 30 June 2015 (2014: \$Nil).

NOTE 12 – CURRENT ASSETS – OTHER

	Consolidated	
	2015 \$	2014 \$
Prepayments	143,351	75,980
Other	20,511	22,307
	163,862	98,287

NOTE 13 – NON-CURRENT ASSETS – PLANT AND EQUIPMENT

Consolidated	Manufacturing plant and equipment \$	Furniture, fittings and equipment \$	Devices leased to customers \$	Total \$
At 1 July 2013				
Cost	482,368	725,095	92,490	1,299,953
Accumulated depreciation	(265,952)	(602,652)	(81,168)	(949,772)
Net book amount	216,416	122,443	11,322	350,181
Year ended 30 June 2014				
Opening net book amount	216,416	122,443	11,322	350,181
Additions	13,732	30,677	–	44,409
Exchange differences	–	(16,606)	95	(16,511)
Depreciation charge	(47,768)	(49,599)	(1,136)	(98,503)
Closing net book amount	182,380	86,915	10,281	279,576
At 30 June 2014				
Cost	496,100	739,166	92,585	1,327,851
Accumulated depreciation	(313,720)	(652,251)	(82,304)	(1,048,275)
Net book amount	182,380	86,915	10,281	279,576
Year ended 30 June 2015				
Opening net book amount	182,380	86,915	10,281	279,576
Additions	4,765	42,346	–	47,111
Exchange differences	–	11,623	1,231	12,854
Depreciation charge	(40,389)	(36,155)	(11,512)	(88,056)
Closing net book amount	146,756	104,729	–	251,485
At 30 June 2015				
Cost	500,865	793,135	93,816	1,387,816
Accumulated depreciation	(354,109)	(688,406)	(93,816)	(1,136,331)
Net book amount	146,756	104,729	–	251,485

NOTE 14 – CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2015 \$	2014 \$
Trade payables	567,721	433,988
Customer prepayments	140,417	76,522
Employee benefits – annual leave	316,083	313,240
Other payables	430,124	391,823
	1,454,345	1,215,573

NOTE 15 – CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2015 \$	2014 \$
Current employee benefits – long service leave	128,976	110,728

The current portion of this liability includes the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$128,976 (2014: 110,728) is presented as current since the Group does not have the unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	2015 \$	2014 \$
	128,976	110,728

NOTE 16 – NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2015 \$	2014 \$
Employee benefits – long service leave	36,282	21,022

NOTE 17 – CONTRIBUTED EQUITY**a) Share capital**

	2015 No. of shares	2014 No. of shares	2015 \$	2014 \$
Fully paid ordinary shares	180,879,646	157,440,279	35,830,567	32,850,570

(b) Movements in ordinary share capital

Date	Details	No. of shares	Issue price \$	Total \$
30 June 2013	Opening balance	150,765,279		32,109,909
22 August 2013	Shares issued on exercise of options	1,000,000	\$0.12	120,000
30 September 2013	Shares issued on exercise of options	1,000,000	\$0.091	91,000
30 October 2013	Shares issued on exercise of options	271,000	\$0.13	35,230
30 October 2013	Shares issued on exercise of options	500,000	\$0.091	45,500
4 November 2013	Shares issued on exercise of options	2,664,000	\$0.13	346,320
4 November 2013	Shares issued on exercise of options	175,000	\$0.075	13,125
4 November 2013	Shares issued on exercise of options	25,000	\$0.098	2,450
3 December 2013	Shares issued on exercise of options	500,000	\$0.091	45,500
3 December 2013	Shares issued on exercise of options	460,000	\$0.08	36,800
8 January 2014	Shares issued on exercise of options	80,000	\$0.08	6,400
	Less: listing fees			(1,664)
30 June 2014	Closing balance	157,440,279		32,850,570
8 December 2014	Share placement	10,752,700	\$0.093	1,000,001
	Less: fees			(12,000)
12 March 2015	Shares issued on exercise of options	22,500	\$0.12	2,700
12 March 2015	Shares issued on exercise of options	22,500	\$0.098	2,205
12 March 2015	Shares issued on exercise of options	28,333	\$0.075	2,125
12 March 2015	Shares issued on exercise of options	21,667	\$0.139	3,012
18 March 2015	Shares issued on exercise of options	100,000	\$0.12	12,000
18 March 2015	Shares issued on exercise of options	50,000	\$0.098	4,900
18 March 2015	Shares issued on exercise of options	175,000	\$0.075	13,125
24 March 2015	Shares issued on exercise of options	350,000	\$0.098	34,300
24 March 2015	Shares issued on exercise of options	266,667	\$0.075	20,000
27 March 2015	Shares issued on exercise of options	300,000	\$0.12	36,000
27 March 2015	Shares issued on exercise of options	150,000	\$0.098	14,700
27 March 2015	Shares issued on exercise of options	300,000	\$0.075	22,500
25 June 2015	Share placement	10,900,000	\$0.18	1,962,000
	Less: fees			(137,571)
		180,879,646		35,830,567

c) Ordinary shares

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

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

Ordinary shares have no par value.

d) Employee Share Option Plan

Information relating to the AtCor Medical Holdings Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 30.

NOTE 18 – RESERVES AND ACCUMULATED LOSSES

a) Reserves

	Consolidated	
	2015 \$	2014 \$
Share-based payments reserve	1,708,257	1,529,732
Foreign currency translation reserve	(248,759)	419,540
	1,459,498	1,949,272

MOVEMENTS

Share-based payments reserve

Balance 1 July	1,529,732	1,305,939
Option expense	178,525	223,793
Balance 30 June	1,708,257	1,529,732

Foreign currency translation reserve

Balance 1 July	419,540	315,472
Currency translation differences arising through the year	(668,299)	104,068
Balance 30 June	(248,759)	419,540

b) Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated	
	2015 \$	2014 \$
Balance 1 July	(31,515,895)	(28,852,387)
Net (loss) for the year	(1,440,177)	(2,663,508)
Balance 30 June	(32,956,072)	(31,515,895)

c) Nature and purpose of reserves

Share-based payments reserve

The sharebased payments reserve is used to recognise the fair value of options issued but not exercised.

NOTE 19 – DIVIDENDS

No dividends were paid or declared since 30 June 2015 and the directors do not recommend the payment of a dividend. There are no franking credits as at 30 June 2015 (2014: Nil).

NOTE 20 – KEY MANAGEMENT PERSONNEL DISCLOSURES**a) Key management personnel compensation**

	Consolidated	
	2015	2014
	\$	\$
Short-term employee benefits	1,605,058	1,431,002
Long-term benefits	10,926	11,891
Post-employment benefits	78,667	63,310
Share-based payments	118,438	149,832
	1,813,089	1,656,035

The Group has taken advantage of the relief provided by Corporations Regulations and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in the remuneration report section of the Directors' Report.

b) Equity instrument disclosures relating to key management personnel**i) Options provided as remuneration and shares issued on exercise of such options**

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

ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of AtCor Medical Holdings Ltd and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
2015						
Directors of AtCor Medical Holdings Ltd						
D. O'Dwyer (Chairman)	–	–	–	–	–	–
D. R. Ross (CEO)	6,000,000	–	–	–	6,000,000	4,133,333
M. F. O'Rourke	–	–	–	–	–	–
P. R. Jenkins	–	–	–	–	–	–
D. L. Brookes	–	–	–	–	–	–
Other key management personnel of the Group						
P. Manley	1,550,000	200,000	(750,000)	(150,000)	850,000	166,667
D. Kurschinski	2,775,000	275,000	–	(250,000)	2,800,000	1,708,334
M. Harding	1,650,000	450,000	(616,667)	(400,000)	1,083,333	300,000

iii) Share holdings

The numbers of shares in the company held during the financial year by each director of AtCor Medical Holdings Ltd and other key management personnel of the Group, including their close family members, are set out below. (Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity).

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
2015				
Directors of AtCor Medical Holdings Ltd				
Ordinary shares				
D. O'Dwyer (Chairman)	4,117,322	—	—	4,117,322
D. R. Ross (CEO)	2,103,052	—	—	2,103,052
M. F. O'Rourke	10,311,396	—	—	10,311,396
P. R. Jenkins	1,209,394	—	—	1,209,394
D. L. Brookes	908,257	—	—	908,257
Other key management personnel of the Group				
Ordinary shares				
P. Manley	608,334	750,000	—	1,358,334
D. Kurschinski	158,522	—	—	158,522
M. Harding	677,369	616,667	(202,562)	1,091,474

NOTE 21 – REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and nonrelated audit firms:

	Consolidated	
	2015 \$	2014 \$
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	119,906	116,028
Other assurance services		
PricewaterhouseCoopers Australian firm		
Audit of Commercialisation Australia grant	—	8,500
Total remuneration for assurance services	119,906	124,528

NOTE 22 – CONTINGENCIES**a) Contingent liabilities**

No contingent liabilities exist at this time.

b) Contingent assets

No contingent assets exist at this time.

NOTE 23 – COMMITMENTS**a) Lease commitments: Group as lessee**

	Consolidated	
	2015	2014
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases for office premises and office equipment are payable as follows:		
Within one year	192,415	102,809
Later than one year but not later than five years	19,198	95,203
More than five years	–	–
	211,613	198,012

NOTE 24 – RELATED PARTY TRANSACTIONS**a) Parent entity**

The parent entity within the Group is AtCor Medical Holdings Limited. The ultimate Australian parent entity is AtCor Medical Holdings Limited.

b) Subsidiaries

Interests in subsidiaries are set out in Note 25.

c) Key management personnel

Disclosures relating to key management personnel are set out in Note 20 and in the remuneration report within the Directors' Report.

NOTE 25 – SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding*	
			2015 %	2014 %
AtCor Medical Pty Limited	Australia	Ordinary	100%	100%
AtCor Medical Inc.	USA	Ordinary	100%	100%
AtCor Medical UK Limited	United Kingdom	Ordinary	–	100%

* The proportion of ownership interest is equal to the proportion of voting power held.
AtCor Medical UK Limited was deregistered during 2015.

NOTE 26 – ECONOMIC DEPENDENCY

The Group depends upon single suppliers of some key components for its SphygmoCor device due to manufacturing specifications requiring these particular components.

NOTE 27 – EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

During July 2015 the Company completed a fully underwritten 1:10 rights offer, which raised \$3,202,811 before fees and expenses. The offer at \$0.18/share was the market price at the time of issue.

NOTE 28 – RECONCILIATION OF (LOSS) AFTER INCOME TAX TO NET CASHFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2015 \$	2014 \$
Loss for the year	(1,440,177)	(2,663,508)
Depreciation and amortisation	88,056	98,503
Noncash employee benefits expense sharebased payments	178,525	223,793
Unrealised exchange difference	(995,700)	158,936
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(1,196)	1,120,795
(Increase) in inventories	(1,859)	(211,745)
(Increase)/Decrease in other operating assets	(65,575)	58,029
Increase/(Decrease) in trade and other payables	238,772	(179,464)
Increase in other provisions	33,507	30,713
Net cash (outflow) from operating activities	(1,965,647)	(1,363,948)

NOTE 29 – EARNINGS PER SHARE**a) Earnings per share**

	Consolidated	
	2015	2014
	\$	\$
Basic earnings per share	(0.9)	(1.7)
Diluted earnings per share	(0.9)	(1.7)

b) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2015	2014
	\$	\$
Basic earnings per share		
Loss from continuing operations	(1,440,177)	(2,663,508)
Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	(1,440,177)	(2,663,508)

c) Weighted average number of shares used as the denominator

	Consolidated	
	2015	2014
	No. of shares	No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	164,081,322	155,336,416
Adjustments for calculation of diluted earnings per share:		
Options	—	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	164,081,322	155,336,416

d) Information concerning the classification of securities**i) Options**

Options granted to employees under the AtCor Medical Holdings Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 30.

No options granted are included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2015.

NOTE 30 – SHARE-BASED PAYMENTS

a) Employee Share Option Plan (ESOP)

The AtCor Medical Holdings Employee Option Plan was approved by shareholders at the 2005 annual general meeting and amendments were approved at the 2006 and 2008 annual general meetings. All staff are eligible to participate in the plan at the discretion of the directors (including executive directors) following recommendations from the remuneration committee, a sub-committee of the AtCor Medical Holdings Limited Board of Directors.

Options are granted under the plan for no consideration. Options are granted for a five year period, and 33.3% of each new tranche vests and is exercisable after each of the first three anniversaries of the date of grant.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is no less than the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Set out below are summaries of options granted under the plan:

							No. of shares	
Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Exercisable at end of the year
Consolidated – 2015								
20 Aug 2009	20 Aug 2014	\$0.165	400,000	–	–	(400,000)	–	–
18 Feb 2010	18 Feb 2015	\$0.164	625,000	–	–	(625,000)	–	–
1 Mar 2010	1 Mar 2015	\$0.164	150,000	–	–	(150,000)	–	–
17 Feb 2011	17 Feb 2016	\$0.120	1,785,000	–	(422,500)	–	1,362,500	1,362,500
21 Oct 2011	21 Oct 2016	\$0.084	2,500,000	–	–	–	2,500,000	2,500,000
16 Feb 2012	16 Feb 2017	\$0.098	2,180,000	–	(572,500)	–	1,607,500	1,607,500
23 Aug 2012	23 Aug 2017	\$0.075	3,625,000	–	(670,000)	–	2,955,000	2,438,334
5 Oct 2012	5 Oct 2017	\$0.075	300,000	–	(100,000)	–	200,000	66,667
26 Oct 2012	26 Oct 2017	\$0.084	1,400,000	–	–	–	1,400,000	933,333
19 Nov 2012	19 Nov 2017	\$0.085	125,000	–	–	–	125,000	83,333
29 Aug 2013	29 Aug 2018	\$0.139	3,215,000	–	(21,667)	–	3,193,333	1,050,004
31 Oct 2013	31 Oct 2018	\$0.181	2,100,000	–	–	–	2,100,000	700,000
28 Aug 2014	28 Aug 2019	\$0.112	–	1,825,000	–	–	1,825,000	–
24 Mar 2015	24 Mar 2020	\$0.194	–	350,000	–	–	350,000	–
25 Jun 2015	25 Jun 2020	\$0.200	–	150,000	–	–	150,000	–
Total			18,405,000	2,325,000	(1,786,667)	(1,175,000)	17,768,333	10,741,671
Weighted average exercise price			\$0.11	\$0.13	\$0.09	\$0.16	\$0.11	

							No. of shares	
Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Exercisable at end of the year
Consolidated – 2014								
22 Aug 2008	22 Aug 2013	\$0.120	1,000,000	–	(1,000,000)	–	–	–
4 Nov 2008	4 Nov 2013	\$0.130	2,935,000	–	(2,935,000)	–	–	–
20 Aug 2009	20 Aug 2014	\$0.165	400,000	–	–	–	400,000	400,000
21 Oct 2009	21 Oct 2013	\$0.215	1,000,000	–	–	(1,000,000)	–	–
18 Feb 2010	18 Feb 2015	\$0.164	625,000	–	–	–	625,000	625,000
1 Mar 2010	1 Mar 2015	\$0.164	150,000	–	–	–	150,000	150,000
17 Feb 2011	17 Feb 2016	\$0.120	1,785,000	–	–	–	1,785,000	1,785,000
21 Oct 2011	21 Oct 2016	\$0.084	2,500,000	–	–	–	2,500,000	166,667
16 Feb 2012	16 Feb 2017	\$0.098	2,215,000	–	(25,000)	(10,000)	2,180,000	1,424,998
23 Aug 2012	23 Aug 2017	\$0.075	3,700,000	–	(75,000)	–	3,625,000	1,154,173
5 Oct 2012	5 Oct 2017	\$0.075	400,000	–	(100,000)	–	300,000	33,334
26 Oct 2012	26 Oct 2017	\$0.084	1,400,000	–	–	–	1,400,000	466,667
19 Nov 2012	19 Nov 2017	\$0.085	125,000	–	–	–	125,000	41,667
13 Dec 2012	13 Dec 2017	\$0.077	350,000	–	–	(350,000)	–	–
29 Aug 2013	29 Aug 2018	\$0.139	–	3,215,000	–	–	3,215,000	–
31 Oct 2013	31 Oct 2018	\$0.181	–	2,100,000	–	–	2,100,000	–
Total			18,585,000	5,315,000	(4,135,000)	(1,360,000)	18,405,000	6,247,506
Weighted average exercise price			\$0.11	\$0.16	\$0.13	\$0.18	\$0.11	

Nil options were forfeited during 2015 (2014: 360,000) and 1,175,000 options expired (2014: 1,000,000) in the same period whilst 1,786,667 options were exercised (2014: 4,135,000).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.5 years (2014: 3.0 years).

Fair value of options granted

The weighted average assessed fair value at grant date of options granted during the year ended 2015 was 4.8 cents per option (2014: 2.5 cents). The fair value at grant date is determined using a BlackScholes 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 model inputs for options granted during the year ended 30 June 2015 included:

- (a) options are granted for no consideration, have a five year life, and 33.3% of each tranche vests and is exercisable after each of the first three anniversaries of the date of grant
- (b) average exercise price: \$0.13 (2014: \$0.16)
- (c) expiry date: five years from grant date (2014: five years from grant date)
- (d) average share price at grant date: \$0.115 (2014: \$0.13)
- (e) expected price volatility of the company's shares: 60% (2014: 60%)
- (f) expected dividend yield: Nil% (2014: Nil%)
- (g) risk free interest rate: 2.25% (2014: 3.00%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

b) Expenses arising from share-based payment transactions

Total expenses arising from sharebased payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2015 \$	2014 \$
Options issued under employee option plan	178,525	223,793

NOTE 31 – PARENT ENTITY FINANCIAL INFORMATION**a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	2015 \$	2014 \$
Balance sheet		
Current assets	1,903,023	442,588
Total assets	43,696,048	39,177,940
Current liabilities	808,835	522,643
Total liabilities	14,066,019	11,119,930
Shareholders equity		
Issued capital	42,287,857	39,307,860
Reserves – Share based payments	1,708,257	1,529,732
Accumulated losses	(14,366,085)	(12,779,582)
	29,630,029	28,058,010
Loss for the year	(1,586,503)	(5,761,033)
Total comprehensive loss	(1,586,503)	(5,761,033)

(b) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity during 2015 or 2014.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

(d) Contractual commitments

The parent entity has no contractual commitments as at the date of this report.

DIRECTORS' DECLARATION

For the year ended 30 June 2015

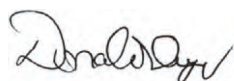
In the directors' opinion:

- (a) the financial statements and notes set out on pages 22 to 48 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting 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 30 June 2015 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



D O'Dwyer, Director
Sydney

20 August 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



Independent auditor's report to the members of AtCor Medical Holdings Limited

Report on the financial report

We have audited the accompanying financial report of AtCor Medical Holdings Limited (the company), which comprises the balance sheet as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the AtCor Medical Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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 of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those 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 consolidated 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.

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*.

PricewaterhouseCoopers, ABN 52 780 433 757
 Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
 T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

**Auditor's opinion**

In our opinion:

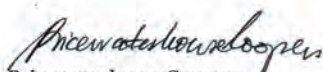
- (a) the financial report of AtCor Medical Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

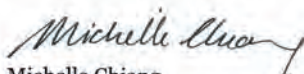
Report on the Remuneration Report

We have audited the remuneration report included in pages 11 to 19 of the directors' report for the year ended 30 June 2015. 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.

Auditor's opinion

In our opinion, the remuneration report of AtCor Medical Holdings Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


Michelle Chiang
Partner

Sydney
20 August 2015

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 23 September 2015.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity holders by size of holding:

	Holdings distribution	
	No. of holders	Securities
1 to 1,000	49	6,852
1,001 to 5,000	144	517,392
5,001 to 10,000	185	1,509,597
10,001 to 100,000	760	30,618,281
100,001 and Over	284	166,170,917
Total	1,422	198,823,039

There were 59 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities are listed below:

	No. of shares	%
Cb Co Pty Ltd <The Curran Superannuation Fund>	15,470,000	7.78%
National Nominees Limited	13,890,867	6.99%
Pehila Pty Ltd <O'Rourke Super Fund A/C>	10,641,396	5.35%
Oceania Capital Partners Limited	9,923,261	4.99%
Dr Russell Kay Hancock	3,500,001	1.76%
Richard Ewan Mews	3,437,500	1.73%
Mr Donald O'Dwyer & Mrs Judith O'Dwyer <Dundrum Super Fund A/C>	3,100,885	1.56%
HSBC Custody Nominees (Australia) Limited	2,384,468	1.20%
Custodial Services Limited <Beneficiaries Holding A/C>	2,333,800	1.17%
Mr Pawel Rej & Mrs Mirosława Rej	2,160,901	1.09%
Mr Richard Ewan Mews & Ms Wee Khoon Mews <Mews Super Fund A/C>	2,091,707	1.05%
Barrijag Pty Ltd <The Hadley S/F A/C>	2,000,000	1.01%
Five Talents Limited	1,969,964	0.99%
Redbrook Nominees Pty Ltd	1,850,000	0.93%
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,834,462	0.92%
Drumnadrochit Futures Pty Ltd	1,712,489	0.86%
Global Meridian Team Pty Limited <Global Meridian Team Super Fund>	1,700,000	0.86%
Souttar Superannuation Pty Ltd <Greenslade Super Fund A/C>	1,637,635	0.82%
Serenity Retirement Fund Pty Ltd <The Dunn Super Fund A/C>	1,431,000	0.72%
Dundrum Investments Pty Ltd <O'Dwyer Family A/C>	1,428,170	0.72%
Total	84,498,506	42.50%

Unquoted equity securities

	No. on issue	No. of holders
Options issued under the AtCor Medical Holdings Employee Share Option Plan to take up ordinary shares	18,708,333	19
Other unquoted options to take up ordinary shares	2,970,000	4
	21,678,333	23

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	No. of shares held	Percentage of issued shares
CB Co Pty Ltd <The Curran Superannuation Fund>	15,470,000	7.78%
National Nominees Limited	13,890,867	6.99%
Pehila Pty Ltd <O'Rourke Super Fund A/C>	10,641,396	5.35%

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b) Options

No voting rights.

E. NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of Atcor Medical Holdings Limited will be held on 13 November 2015.

DIRECTORS

Mr Donal O'Dwyer, Non-Executive Chairman (BEng, MBA)

Mr Duncan Ross, CEO and Managing Director (BS)

Dr Michael O'Rourke, Non-Executive Director (MD, DSc)

Mr Peter Jenkins, Non-Executive Director (DSc (honorary))

Dr David Brookes, Non-Executive Director (MBBS FACRRM)

SECRETARY

Mr Peter Manley, CFO and Company Secretary (BBus, CPA, ACIS)

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Suite 11, 1059 – 1063 Victoria Road

West Ryde NSW 2114

SHARE AND DEBENTURE REGISTER

Link Market Services Ltd

Level 12, 680 George Street

PO Box 20013

World Square NSW 2000

AUDITOR

PricewaterhouseCoopers

Darling Park Tower 2

201 Sussex Street

GPO Box 2650

Sydney NSW 1171

SOLICITORS

Dibbs Barker

Level 8, 123 Pitt Street

GPO Box 983

Sydney NSW 2001

STOCK EXCHANGE LISTINGS

AtCor Medical Holdings Limited shares are listed on the Australian Stock Exchange under ASX code **ACG**.