AtCor
MEDICAL

ATCOR MEDICAL HOLDINGS LIMITED
ANNUAL REPORT 2012

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AtCor Medical has established its SphygmoCor® technology as the global gold standard in non-invasive assessment of aortic central blood pressure and arterial stiffness in the research, pharmaceutical clinical trial and clinical practice markets.

As non-invasive assessment continues its steady progress from the world of science into the world of patient care, our goal is to maintain our leadership position as central pressures and arterial stiffness measurement become the standard of care in cardiovascular risk assessment and patient management.

Even in an extremely challenging economic and political environment for health care providers, research organisations and pharmaceutical companies, the adoption of our technology by clinical and business leaders continued to advance, and a number of important milestones were reached. The published scientific evidence supporting the need for aortic central pressure measurement continues to become even more compelling.

A sea change in cardiovascular patient care is underway, and AtCor is well positioned to take advantage of it.

Leading change in cardiovascular medicine

HIGHLIGHTS OF THE YEAR

- US CPT III code to cover SphygmoCor test awarded. Effective from 1 January 2013.

- New SphygmorCor XCEL system launched May 2012. XCEL received a Good Design™ award at the 2012 Australian International Design Awards.

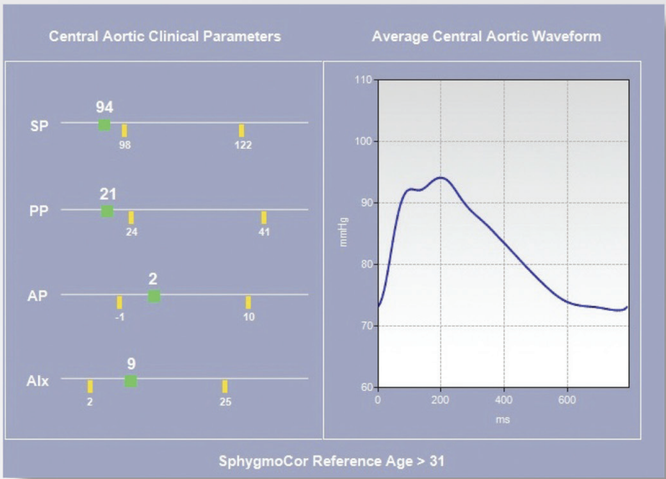
- Global strategic alliance announced with SunTech Medical, Inc.

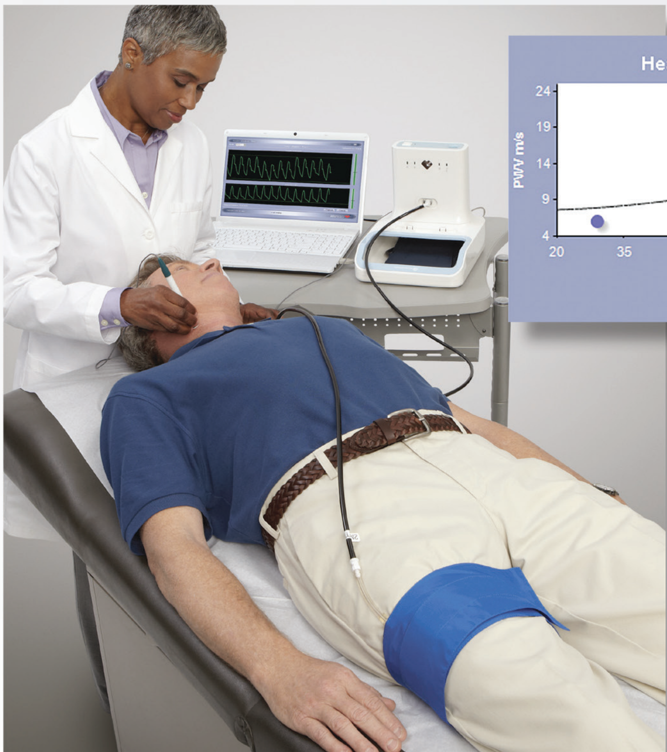
- Exclusive multi-year OEM supply agreement signed with Young at Heart B.V.

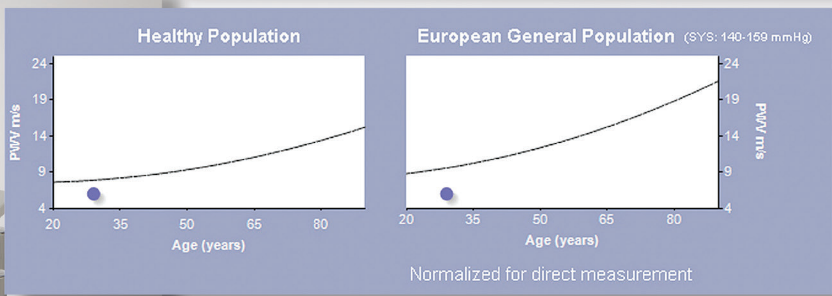
ATCOR MEDICAL'S TECHNOLOGY

"Central pulse pressure better predicts outcome than does brachial pressure"

Roman et al., *Hypertension*, 2007; 50:197-203







"Carotid to femoral Pulse Wave Velocity >12m/s is an indicator of end organ damage"

European Society of Hypertension guidelines 2007

DONAL O'DWYER

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

I would like to start by thanking you, our shareholders, for your continued support of your company – in particular, during a year when the economic environment was especially difficult. Although this created challenges for AtCor, there were many significant achievements that, I believe, will prove to have been important milestones in the journey toward routine adoption of our technology in the diagnosis and treatment of patients with cardiovascular disease.

Every year, more and more physicians gain experience of the benefits to patient care that can accrue from AtCor's technology. We are well placed to play an important role in the more effective and efficient delivery of healthcare, particularly to those suffering chronic and progressive conditions such as cardiovascular disease. Importantly, our technology can play a vital role in earlier diagnosis and treatment, which is significant due to ever-increasing healthcare budgets as the population ages and as use of expensive technology accelerates.

While we are disappointed to report sales that were lower than the prior year, due mainly to delays in receiving two large orders from major pharmaceutical companies, the result has highlighted areas which will help us to improve future performance. These include the importance of our pharmaceutical business in the short term as we bridge to routine clinical use of our technology, and the need to put processes in place to improve the predictability of our business.

There were several bright spots in our sales performance, including continued growth in clinical sales in the US and in sales to Asian markets. Significantly, our losses and cash burn for the year were substantially less than the prior year as a result of good margin management and aggressive control of expenses.

Closing on important initiatives is essential to future success and a number of milestones were achieved through the year. Among these were; the awarding of a Common Procedural Terminology (CPT) reimbursement code for the U.S. that will take effect from 1 January 2013; endorsement by three US medical associations of the use of central blood pressure measurement for managing hypertension; the launch of our new SphygmoCor XCEL system at the European Society of Hypertension meeting, which was also a finalist in the 2012 Australian International Design Awards in the Medical and Scientific category; and expansion of the global alliance with SunTech Medical to now include integrated product offerings co-developed and co-marketed by both companies. It is now incumbent on us to translate all of these initiatives for maximum success.

During the past quarter, we have again examined our cost base and identified a number of significant cost saving initiatives that we believe can be implemented without jeopardising our strategic direction. These savings have already been, or are in the process of being, implemented.

In June, we raised a further $1 million dollars from sophisticated investors and directors to help secure our cash position as we strive for profitably and sustainability. We are grateful for the support we have received.

Finally, I wish to thank all our employees and associates for their continuing efforts. The board appreciates your dedication and hard work to ensure that SphygmoCor is used to advance medical practice for the benefit of patients and healthcare providers alike.

Donal O'Dwyer
Sydney, Australia

23 August, 2012

LETTER FROM THE CHIEF EXECUTIVE OFFICER

DUNCAN ROSS

Dear Shareholder,

Despite a challenging year in a tough economic environment, AtCor advanced a number of important initiatives which management believes will translate into improved near- and mid-term results. These have strengthened the company's cash position, while providing top-line opportunities to enable the company to move towards a profitable and cash flow positive position.

Initiatives included an exclusive global alliance with SunTech Medical, a leader in non-invasive blood pressure products and technologies, to jointly develop and market new technologies; the US Renal Physicians Association's successful filing for a CPT III code covering the SphygmoCor® test; the launch of the new SphygmoCor XCEL system; and entry into a new market segment through our exclusive multi-year supply agreement with Young at Heart B.V., a European leader in health informatics and integrated consumer self-testing systems.

So we can fund growth and become self-sustainable in the near term, we resized our business in Europe, secured a $1.1 million Commercialisation Australia Grant and raised $1.0 million through an offering to sophisticated investors and directors in June. Following our continued focus on expenses and cash management, additional substantial savings have been implemented from 1 July, 2012.

FY2012 RESULTS

AtCor's FY2012 sales were $6.44 million, representing a decline of 13.7%, or 10.6 % on a constant currency basis, compared to the prior period. US sales declined 13%, although clinical sales to medical specialists such as cardiologists, nephrologists and hypertension specialists grew 23%. This was due partly to favourable local coverage decisions and advocacy by supporters of central aortic pressure measurement, such as the National Medical Association. The major contributor to the sales shortfall was a decline of 18.2% in US pharmaceutical sales; two sales were delayed into FY2013 and one of these has since closed, with the other expected shortly. We continue to sign contracts with a growing number of pharmaceutical companies, and received a US$1.6 million order from a new pharmaceutical customer in October 2011.

Asia-Pacific sales (excluding Australia and New Zealand) grew strongly by 43%, based largely on growth in China. Sales in Australia and New Zealand were lower and Europe recorded a decline of 12% but met internal expectations for the second half of the year. Economic conditions in Southern Europe are particularly challenging and the headcount in Europe was reduced so the region can contribute positive earnings.

Gross margin was a healthy 84.4%, despite lower volume and the costs of bringing the new XCEL product into production. Expenses were 12% below prior year and 10% below prior year in constant currency terms. Net loss was $2.0 million, compared to a reported loss of $3.1 million in FY2011. Cash at 30 June was $1.1 million, compared to $1.7 million at 30 June 2011, and net operating cash outflows for the year were $1.2 million, compared to $1.9 million in FY2011.

Despite the challenging environment, we have many reasons to be confident that strong sales growth in constant currency will be achieved for FY2013, assuming there is no further adverse change in global economic conditions. Our sales pipeline remains strong, with excellent prospects for a rebound in pharmaceutical sales.

HIGHLIGHTS

- The US Renal Physicians Association filed for a CPTIII (Common Procedural Terminology category III) code to cover the SphygmoCor test with the American Medical Association (AMA). The code, which will allow US physicians the opportunity to file reimbursement claims related to central aortic blood pressure assessment, was approved at the February AMA CPT panel meeting – a significant milestone in SphygmoCor's path to greater clinical adoption. Information will be sent to payers shortly by the AMA describing the new code which will be effective from 1 January, 2013. The code was supported by a number of physician groups as well as the RPA.

- Clinical adoption of central blood pressure assessment was further bolstered in January when three leading physician groups, the National Medical Association, the Association of Black Cardiologists and the Association of Minority Nephrologists, issued a joint policy statement advocating use of non-invasive central blood pressure assessment for improved diagnosis and management of hypertension in African Americans. There are over 39 million African Americans in the US who suffer a much higher rate, as well as earlier onset, of cardiovascular disease. Use of central blood pressure measurement offers an opportunity to help reduce health disparities and provide better overall patient management.

- Several initiatives at the regional level to drive physician adoption of SphygmoCor were reflected in the 23% growth in clinical sales. In October, three separate rulings by a Medicare Aministrative Law Judge from the office of Hearings and Medical Appeals in New York State, where 3.0 million lives are covered by the Medicare Health Insurance program for retired Americans, upheld the medical necessity and reimbursement of the SphygmoCor test. This followed similar rulings in the multi-state Michigan Medicare Region the previous year. Additional claims for reimbursement are being pursued in other US states such as California and Florida.

- Our focus on maintaining our market and gold standard technology leadership resulted in the launch in May of the SphygmoCor XCEL system. Designed to meet emerging requirements in the global US$1.84 billion clinical practice market, XCEL substantially improves clinician ease-of-use by sequentially measuring brachial and central pressures from the brachial arm cuff, while maintaining the quality of results comparable with the previous generation system. Initial demand has been strong, including use of the new system in the recently-announced pharmaceutical trial. The product has been released in Europe, Australia and four Asian countries and a US launch, following US FDA clearance, is forecast for late 2012. Additional markets will follow during calendar 2013. Portions of the new technology will be incorporated as part of the Young at Heart B.V. exclusive supply agreement which is expected to start to deliver sales in the third quarter of FY2013, with eventual annual sales forecast at US$1.0m.

- SphygmoCor XCEL won a Good Design™ award at the 2012 Australian International Design Awards in the Medical and Scientific category, sharing the award with 4Design Pty Limited. As one of 10 finalists, SphygmoCor XCEL will be displayed in Sydney's Powerhouse Museum for 12 months during 2012-13.
- To expand our product breadth and strengthen market access, in January we announced a global strategic alliance with SunTech Medical, a leader in non-invasive blood pressure products and technologies. The two companies will collaborate on new blood pressure and cardiovascular assessment and management solutions and market the products jointly, and work is underway on the alliance's first product.
- AtCor raised $1.0 million in June 2012 through a placement to sophisticated investors and management, and also to directors who invested $177,000. The proceeds are being used for working capital to enable the business to reach a sustainable cash flow positive position.

WELL POSITIONED FOR GROWTH

Our growth initiatives – from our easier-to-use new product, through support by key physician groups and coding, to important strategic alliances – all point to increasing demand for SphygmoCor technology. As governments continue to wrestle with ever increasing health care costs, we believe these initiatives have positioned AtCor to play an important role.

Heroic late-stage disease intervention is increasingly unsustainable. The US alone spends over US$500 billion per year on cardiovascular disease management and US$200 billion more in indirect economic costs. Solutions such as SphygmoCor's low-cost, easy-to-use, data-rich, non-invasive devices not only indentify disease early, but optimise clinical management. Clinical adoption and up-take in pharmaceutical research are still in their early days.

With our dynamic technology and core competence in physiological wave capture and analysis, new opportunities for AtCor are not limited to our current market segments. Scientific and business development work continues on a number of exciting opportunities including heart failure management, cardiac resynchronisation therapy optimisation and cerebral vascular disease. Important papers in support of this work will be forthcoming during FY2013.

AtCor's SphygmoCor system continues to build its position as the worldwide gold standard in non-invasive measurement of central aortic blood pressure and arterial stiffness. SphygmoCor is registered for sale in all of the world's major markets and more than 2,900 systems are in use worldwide at major medical institutions, physician's offices, research institutions and in clinical trials sponsored by pharmaceutical and medical device companies. The system is in use in all 17 hospitals in US News & World Report's "Best Hospitals" Honour Roll for 2012-2013 and its value is supported by over 600 peer reviewed publications, with new evidence published every month. The SphygmoCor device provides the opportunity to transform the assessment and treatment of cardiovascular and related disease with a relatively low-cost, information-rich system, providing data that otherwise would only be available through invasive, in-hospital monitoring.

Our growth initiatives all point to increasing demand for SphygmoCor technology.

OUTLOOK FOR FY2013

While much has been accomplished, the initiatives we have put in place must now be translated into solid economic performance. The organisation is fully aligned and motivated to deliver a much improved performance for FY2013 and we aim to become cash flow positive for the year. We will achieve this through strong top line growth and continued efficient management of our cash and expenses.

AtCor's 29 dedicated professionals are focused, energised and driving the business to achieve its full potential. Our growth is in front of us and we will keep you informed of progress in what we fully expect will be a very good year for the business. Thank you for your continued support.

Sincerely,

Duncan R. Ross
Chicago, Illinois USA

23 August, 2012

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.

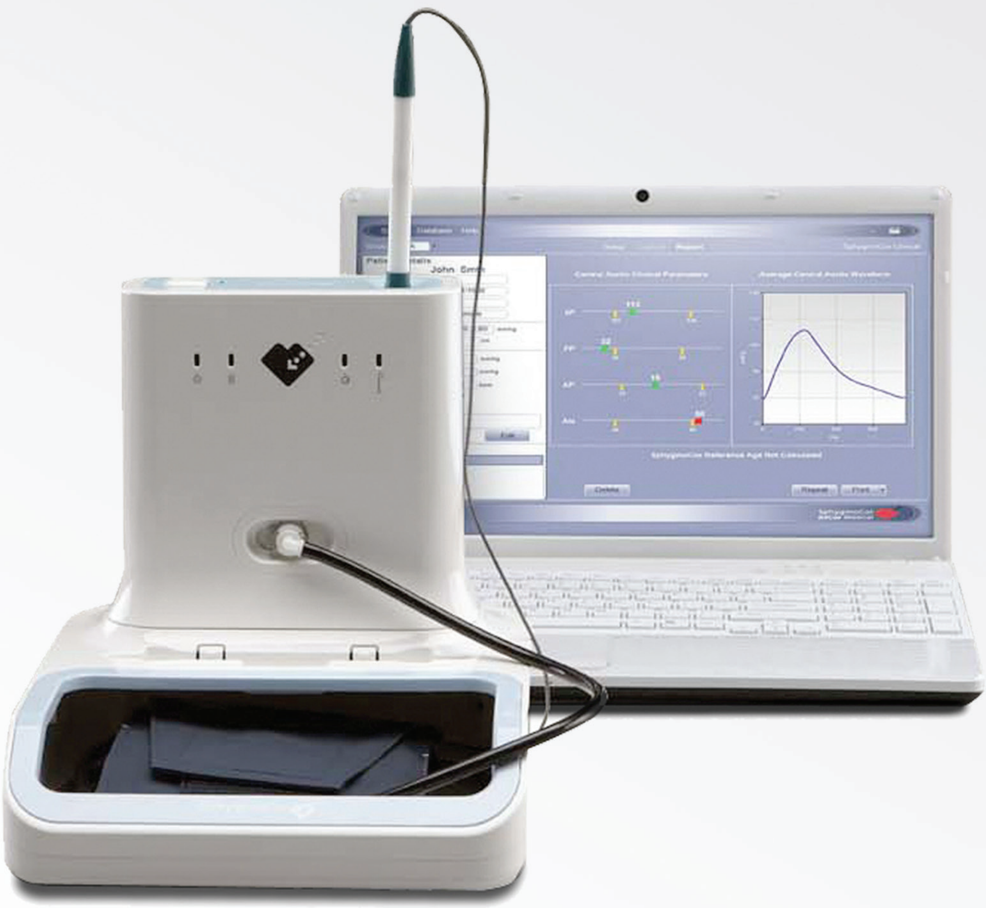
AtCor Medical Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

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 and activities on pages 4 to 5 and in the directors' report on pages 8 to 20.

The financial report was authorised for issue by the directors on 23 August 2012. 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 company. All press releases, financial reports and other information are available at our Investors section on our website: www.atcormedical.com.



ANNUAL FINANCIAL REPORT 2012

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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 2012.

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 $6,441,493 (2011: $7,458,450). The loss for the year after income tax amounted to $1,985,519 (2011: $3,081,084). 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 4-5 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

On 8 August 2012 shareholders voted to allow Directors to acquire 2,950,000 ordinary shares at $$0.06 per share. This formed part of the share placement and raised $177,000.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

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

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

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 59.

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 3 other listed public companies: Cochlear Ltd, Mesoblast Ltd and Sunshine Heart Inc.

Former directorships in last 3 years

None

Special responsibilities

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

Interests in shares and options

Direct:	400,000 options over ordinary shares in AtCor Medical Holdings Limited
Indirect:	4,117,315 ordinary shares in AtCor Medical Holdings Limited

Duncan R. Ross BS

Managing Director and CEO. Age 54.

Experience and expertise

Executive director of the Group since November 2006. 28 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 3 years

None

Special responsibilities
CEO

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

5,000,000 options over ordinary shares in AtCor Medical Holdings Limited

Indirect: Nil

Dr Michael O'Rourke A.M. MD, DSc
Non-executive director. Age 75.

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 Board 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 3 years
None

Special responsibilities
Medical consultant

Interests in shares and options
Direct: 200,000 options over ordinary shares in AtCor Medical Holdings Limited

Indirect: 10,411,396 ordinary shares in AtCor Medical Holdings Limited

Peter Jenkins DSc (honorary)
Independent non-executive director. Age 77.

Experience and expertise
Has served on the AtCor Group's Board since 2000, including 4 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
Chairman and non-executive director of Queensland BioCapital Funds Ltd.

Former directorships in last 3 years
Non-executive director of Access Macquarie Ltd

Chair of Science and Technology Advisory Board Macquarie University

Special responsibilities
Chair of remuneration and nomination committee
Member of audit and risk committee

Interests in shares and options
Direct: 1,209,394 ordinary shares in AtCor Medical Holdings Limited

200,000 options over ordinary shares in AtCor Medical Holdings Limited

Indirect: Nil

Dr David Brookes MBBS FACRRM FAICD
Independent non-executive director. Age 52.

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
None

Former directorships in last 3 years
Non-executive director of Living Cell Technologies Ltd

Non-executive director of Innovance Ltd

Special responsibilities
Chair of audit and risk committee
Member of remuneration and nomination committee

Interests in shares and options
Direct: 158,256 ordinary shares in AtCor Medical Holdings Limited

200,000 options over ordinary shares in AtCor Medical Holdings Limited

Indirect: 750,001 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 2012, and the numbers of meetings attended by each director were:

					Meetings of Committees			
	Full meetings of directors		Meetings of non-executive directors		Audit and Risk		Remuneration and Nomination	
	A	B	A	B	A	B	A	B
D O'Dwyer (chairman)	12	12	10	10	3	3	2	2
D.R Ross (CEO)	12	12	*	*	**	**	**	**
M O'Rourke	11	12	9	10	**	**	**	**
P.R Jenkins	12	12	10	10	3	3	2	2
D.L Brookes	12	12	10	10	3	3	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

D O'Dwyer retired by rotation as a director and was re-elected on 21 October 2011.

P Jenkins retired by rotation as a director and was re-elected on 21 October 2011.

REMUNERATION REPORT

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 nonfinancial benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration advisors provide ad hoc advice to ensure base pay is set to reflect the market for a comparable role. 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 2012, 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 nonfinancial measures linked to drivers of performance in future reporting periods. These PMOs are specific to each of the senior executives and are also varied depending on company 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 page 14.

Voting and comments made at the AtCor Medical Holdings Limited 2011 AGM

AtCor Medical Holdings Limited received a unanimous "yes" vote on a show of hands and greater than 90% "yes" votes from proxies for its remuneration report for the 2011 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 FY2012 the weaker sales performance has resulted in an average STI payout of less than 18% 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 8-9 above) and those executives that 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 US Commercial Operations (AtCor Medical Inc)
- Mark Harding – International Sales & Marketing Director (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 Ross and D Kurschinski are paid in USD as they are US-based executives. Decreases in base pay and non-monetary benefits are largely attributable to the stronger AUD against the USD through FY12 (Ave rate FY12: 1.0420, FY11: 0.9819).

DIRECTOR'S REPORT

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 $
2012								
Non-executive directors								
D O'Dwyer (Chairman)	75,688	–	–	6,812	–	–	–	82,500
M O'Rourke	22,936	–	–	2,064	–	–	–	25,000
P.R Jenkins	45,000	–	–	–	–	–	–	45,000
D.L Brookes	41,284	–	–	3,716	–	–	–	45,000
Sub-total non-executive directors	**184,908**	**–**	**–**	**12,592**	**–**	**–**	–	**197,500**
Executive directors								
D.R Ross (CEO)	297,902	10,396	14,470	–	–	–	33,862	356,630
Other key management personnel								
P Manley	192,557	1,603	–	15,775	6,487	–	11,308	227,730
D Kurschinski	219,871	36,710	14,503	–	–	–	17,234	288,318
M Harding	202,366	19,805	–	25,000	1,300	–	9,136	257,607
Totals	**1,097,604**	**68,514**	**28,973**	**53,367**	**7,787**	**–**	**71,540**	**1,327,785**
2011								
Non-executive directors								
D O'Dwyer (Chairman)	100,917	–	–	9,083	–	–	7,372	117,372
M O'Rourke	22,936	–	–	2,064	–	–	3,686	28,686
P.R Jenkins	60,000	–	–	–	–	–	3,686	63,686
D.L Brookes	55,046	–	–	4,954	–	–	3,686	63,686
Subtotal non-executive directors	**238,899**	**–**	**–**	**16,101**	**–**	**–**	**18,430**	**273,430**
Executive directors								
D.R Ross (CEO)	317,441	70,492	15,397	–	–	–	18,397	421,727
Other key management personnel								
P Manley	188,532	11,272	10,053	15,770	5,397	–	12,863	243,887
D Kurschinski	234,292	43,964	15,435	–	–	–	21,170	314,861
M Harding	207,925	12,952	–	25,000	630	–	7,628	254,135
Totals	**1,187,089**	**138,680**	**40,885**	**56,871**	**6,027**	**–**	**78,488**	**1,508,040**

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	
	2012	2011	2012	2011	2012	2011
Non-executive directors						
D O'Dwyer (Chairman)	100%	94%	–	–	–	6%
M O'Rourke	100%	87%	–	–	–	13%
P Jenkins	100%	94%	–	–	–	6%
D Brookes	100%	94%	–	–	–	6%
Executive directors						
D R Ross (CEO)	59%	60%	35%	36%	6%	4%
Other key management personnel						
P Manley	80%	79%	16%	16%	4%	5%
D Kurschinski	66%	65%	30%	29%	5%	6%
M Harding	73%	74%	24%	24%	3%	2%

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, inclusive of health benefits, for the year ended 30 June 2012 of US$325,051, to be reviewed annually by the remuneration committee.

Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the 6 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 1 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 2012 of $210,395 , to be reviewed annually by the remuneration committee.

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 US Commercial Operations, AtCor Medical Inc.

Term of agreement – permanent. Commenced 12 April 2004

Base salary, inclusive of health benefits, for the year ended 30 June 2012 of US$243,886, to be reviewed annually by the remuneration committee.

Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 1 month's 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 6 month's base salary is payable.

M Harding, International Sales & Marketing Director, AtCor Medical Pty Ltd.

Term of agreement – permanent. Commenced 8 September 2008

Base salary, inclusive of superannuation, for the year ended 30 June 2012 of $230,154, to be reviewed annually by the remuneration committee.

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, which was approved by shareholders at the 1 November 2005 annual general meeting and amended at the 9 November 2006 AGM and 4 November 2008 AGM. 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 5 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
22 Aug 2007	22 Aug 2012	$0.15	$0.05	22 Aug 2008
22 Aug 2007	22 Aug 2012	$0.15	$0.06	22 Aug 2009
22 Aug 2007	22 Aug 2012	$0.15	$0.06	22 Aug 2010
14 Nov 2007	14 Nov 2012	$0.15	$0.04	14 Nov 2008
14 Nov 2007	14 Nov 2012	$0.15	$0.04	14 Nov 2009
14 Nov 2007	14 Nov 2012	$0.15	$0.05	14 Nov 2010
22 Aug 2008	22 Aug 2013	$0.12	$0.06	22 Aug 2009
22 Aug 2008	22 Aug 2013	$0.12	$0.06	22 Aug 2010
22 Aug 2008	22 Aug 2013	$0.12	$0.06	22 Aug 2011
4 Nov 2008	4 Nov 2013	$0.13	$0.06	4 Nov 2009
4 Nov 2008	4 Nov 2013	$0.13	$0.06	4 Nov 2010
4 Nov 2008	4 Nov 2013	$0.13	$0.07	4 Nov 2011
20 Aug 2009	20 Aug 2014	$0.165	$0.07	20 Aug 2010
20 Aug 2009	20 Aug 2014	$0.165	$0.07	20 Aug 2011
20 Aug 2009	20 Aug 2014	$0.165	$0.08	20 Aug 2012
21 Oct 2009	21 Oct 2013	$0.215	$0.06	21 Oct 2010
18 Feb 2010	18 Feb 2015	$0.164	$0.07	18 Feb 2011
18 Feb 2010	18 Feb 2015	$0.164	$0.08	18 Feb 2012
18 Feb 2010	18 Feb 2015	$0.164	$0.08	18 Feb 2013
1 Mar 2010	1 Mar 2015	$0.164	$0.06	1 Mar 2011
1 Mar 2010	1 Mar 2015	$0.164	$0.07	1 Mar 2012
1 Mar 2010	1 Mar 2015	$0.164	$0.07	1 Mar 2013
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

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 31 to the financial statements.

Options Granted to Directors and other key management personnel under the Employee Share Option Plan since 30 June 2012

No options have been granted in the period from 30 June 2012 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)	2010	400,000	$0.215	21 Oct 13	400,000
D R Ross (CEO)	2008	1,000,000	$0.15	14 Nov 12	1,000,000
	2009	1,500,000	$0.13	4 Nov 13	1,500,000
	2012	2,500,000	$0.084	21 Oct 16	–
M O'Rourke	2010	200,000	$0.215	21 Oct 13	200,000
P Jenkins	2010	200,000	$0.215	21 Oct 13	200,000
D Brookes	2010	200,000	$0.215	21 Oct 13	200,000
Other executives					
P Manley	2008	200,000	$0.15	22 Aug 12	200,000
	2009	325,000	$0.13	4 Nov 13	325,000
	2010	150,000	$0.164	18 Feb 15	100,000
	2011	300,000	$0.12	17 Feb 16	100,000
	2012	150,000	$0.098	16 Feb 17	–
D Kurschinski	2008	600,000	$0.15	22 Aug 12	600,000
	2009	300,000	$0.12	22 Aug 13	300,000
	2009	425,000	$0.13	4 Nov 13	425,000
	2010	250,000	$0.164	18 Feb 15	166,667
	2011	300,000	$0.12	17 Feb 16	100,000
	2012	500,000	$0.098	16 Feb 17	–
M Harding	2009	300,000	$0.12	22 Aug 13	300,000
	2010	400,000	$0.165	20 Aug 14	266,667
	2011	200,000	$0.12	17 Feb 16	66,667
	2012	350,000	$0.098	16 Feb 17	–

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 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 riskfree interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2012 included:

(a) options are granted for no consideration, one third of each tranche vests and is exercisable after each of the first 3 anniversaries of the date of grant

(b) ave exercise price: $0.09 (2011 $0.12)

(c) expiry date: 5 years from grant date (2011 – 5 years from grant date)

(d) weighted average share price at grant date: $0.08 (2011 $0.10)

(e) expected price volatility of the company's shares: 60% (2011 60%)

(f) expected dividend yield: Nil% (2011 nil%)

(g) riskfree interest rate: 4.64% (2011 4.76%).

Shares provided on exercise of remuneration options

No ordinary shares in the company were provided as a result of the exercise of remuneration options for any director of AtCor Medical Holdings Limited or other key management personnel of the Group in current or previous financial years.

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 12 and 13, 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 3 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		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 $
D O'Dwyer	–	–	2010	100%	–	2011	–	–
P Jenkins	–	–	2010	100%	–	2011	–	–
M O'Rourke	–	–	2010	100%	–	2011	–	–
D Brookes	–	–	2010	100%	–	2011	–	–
D R Ross (CEO)	6%	94%	2008	100%	–	2009	–	–
				100%	–	2010	–	–
				100%	–	2011	–	–
			2009	100%	–	2010	–	–
				100%	–	2011	–	–
				100%	–	2012	–	–
			2012	–	–	2013	–	22,383
				–	–	2014	–	24,480
				–	–	2015	–	26,390
P Manley	4%	96%	2008	100%	–	2009	–	–
				100%	–	2010	–	–
				100%	–	2011	–	–
			2009	100%	–	2010	–	–
				100%	–	2011	–	–
				100%	–	2012	–	–
			2010	100%	–	2011	–	–
				100%	–	2012	–	–
				–	–	2013	–	3,837
			2011	100%	–	2012	–	–
				–	–	2013	–	4,197

	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
	%	%		%	%		$	$
				–	–	2014	–	4,524
			2012	–	–	2013	–	2,040
				–	–	2014	–	2,200
				–	–	2015	–	2,346
D Kurschinski	36%	64%	2007	100%	–	2008	–	–
				100%	–	2009	–	–
				100%	–	2010	–	–
			2008	100%	–	2009	–	–
				100%	–	2010	–	–
				100%	–	2011	–	–
			2009	100%	–	2010	–	–
				100%	–	2011	–	–
				–	–	2012	–	–
			2009	100%	–	2010	–	–
				100%	–	2011	–	–
				100%	–	2012	–	–
			2010	100%	–	2011	–	–
				100%	–	2012	–	–
				–	–	2013	–	7,834
			2011	100%	–	2012	–	–
				–	–	2013	–	4,193
				–	–	2014	–	4,524
			2012	–	–	2013	–	6,800
				–	–	2014	–	7,334
				–	–	2015	–	7,819
M Harding	20%	80%	2009	100%	–	2010	–	–
				100%	–	2011	–	–
				100%	–	2012	–	–
			2010	100%	–	2011	–	–
				100%	–	2012	–	–
				–	–	2013	–	3,549
			2011	100%	–	2012	–	–
				–	–	2013	–	2,798
				–	–	2014	–	3,016
			2012	–	–	2013	–	4,760
				–	–	2014	–	5,134
				–	–	2015	–	5,473

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)	9%	33,862	–	–	33,862
M O'Rourke	–	–	–	–	–
P Jenkins	–	–	–	–	–
D Brookes	–	–	–	–	–
P Manley	5%	11,308	–	–	11,308
D Kurschinski	5%	17,234	–	–	17,234
M Harding	4%	9,136	–	–	9,136

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 Sharebased 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	Number under option
22 August 2007	22 Aug 2012	$0.15	1,675,000
14 November 2007	14 Nov 2012	$0.15	1,000,000
22 August 2008	22 Aug 2013	$0.12	1,000,000
4 November 2008	4 Nov 2013	$0.13	3,020,000
20 August 2009	20 Aug 2014	$0.165	400,000
21 October 2009	21 Oct 2013	$0.215	1,000,000
18 February 2010	18 Feb 2015	$0.164	625,000
1 March 2010	1 Mar 2015	$0.164	150,000
17 February 2011	17 Feb 2016	$0.12	1,895,000
21 October 2011	21 Oct 2016	$0.084	2,500,000
16 February 2012	16 Feb 2017	$0.098	2,265,000
			15,530,000

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

No ordinary shares of AtCor Medical Holdings Limited were issued during the year ended 30 June 2012 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.

Transaction with directors

A director, M O'Rourke, provides consulting services to the Group as a medical advisor, for which he receives a monthly retainer. This agreement is based on normal commercial terms and conditions. The amount paid for the year ended 30 June 2012 is $177,955 (2011: $172,772).

Insurance of officers

During the financial year, AtCor Medical Holdings Limited paid a premium of $15,520 to insure the directors and secretary of the company and its Australian based controlled entities, and the senior executives 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*.

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 nonaudit services provided during the year are set out below.

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 non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- 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 company, acting as advocate for the company or jointly sharing economic risk and rewards.

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	
	2012 $	2011 $
Assurance services		
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	110,000	112,000
Total remuneration for audit services	110,000	112,000
2. Other assurance services		
PricewaterhouseCoopers Australian firm:		
Audit of Commercial Ready grant program		
Total remuneration for other assurance services	–	–
	–	–

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

23 August 2012

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Atcor Medical Holdings Limited for the year ended 30 June 2012, 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

M W Chiang
Partner
PricewaterhouseCoopers

Sydney
23 August 2012

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CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board of Directors has adopted a formal charter that defines the roles and responsibilities of Directors and management. This charter is available on the company website. During the reporting period all senior executives were subject to a formal performance review against defined company and personal objectives.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

AtCor currently has five directors, four of whom are hold non-executive positions and one (Chief Executive Officer) who holds an executive position. Directors' name, position, independence status and additional committee duties are outlined in the table below.

The Board considers the present complement of five directors to be appropriate for the size of the Company and therefore casual vacancies will be filled as and when they arise. The combined skill set of the Directors is also appropriate for the stage of company evolution, with expertise in industry, medical and business management. Individual Directors' experience is outlined in the Directors' Report.

				Sub-Committees	
	Director since	Non-executive	Independent	Audit & Risk	Remuneration & Nomination
Donal O'Dwyer (Chairman)	Jul 2004	Yes	Yes	Yes	Yes
Duncan Ross (CEO)	Nov 2006	No	No	No	No
Peter Jenkins	Jan 1999	Yes	Yes	Yes	Chairman
Michael O'Rourke	Nov 1993	Yes	No	No	No
David Brookes	Sep 2008	Yes	Yes	Chairman	Yes

Independence Criteria

A director will be regarded as independent if that person is a non-executive director and is free from any interest and other business relationship that could materially interfere with that person's ability to act in the best interests of AtCor. Particularly, they must not be or have been:

- a substantial shareholder of AtCor or associated with a substantial shareholder of AtCor;
- an executive of AtCor for the last three years;
- a principal of a material professional advisor or an employee of a material service provider for the last three years;
- a material supplier to or a customer of AtCor or its subsidiaries.

If one of these relationships exists, either directly or through a related party interest, the Board may still consider a director to be independent however it must clearly state the reasons for this decision in the Annual Report. If the independent status of a director is lost this will be disclosed to the market immediately.

A substantial shareholding is considered to be more than 5%.

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

An "AtCor Code of Business Conduct" has been adopted by the Board, a copy of which may be found on the AtCor website. Directors and staff are also subject to a clearly enunciated share trading policy, also available on the Company website.

Diversity Policy and progress towards gender diversity

The Board has developed and adopted a diversity policy that ensures all personnel within the organisation will be treated with respect and no person will be discriminated against either during their employment or through recruitment action, no matter their gender, age, race, religion, cultural background, marital status, sexual orientation or disability. AtCor recognises there is difficulty achieving diversity across all areas of the company due to the relatively small size of the workforce, but considers increased representation by women to be a desirable outcome. The Board believes a target of 25% representation by women in non-executive directorships and 25% representation in senior and other management roles within 5 years to be achievable.

AtCor currently has four non-executive directors and 26 employees based across two jurisdictions. Since the last report 3 employees have left the Group of which one sales suppport person was replaced (female for female).
Gender diversity statistics are as follows:

	No. of Employees	
	Male	Female
Non-executive directors	4	0
Senior executive officers	4	0
Other managers	5	1
Other employees	13	3
Total Employee	22	4

PRINCIPLE 4: SAFEGUARD INTEGRITY ON FINANCIAL REPORTING

An Audit & Risk Committee has been in place for the full reporting period and comprises 3 independent directors as members, being:

- David Brookes – Chairman
- Donal O'Dwyer
- Peter Jenkins

Details of their qualifications and attendance at committee meetings are detailed on pages 8 to 10 of the Directors' Report. The Committee is subject to an Audit and Risk Committee charter that is published on the AtCor website.

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers was appointed as the external auditor in 2005. A change of audit partner was effected this year following the completion of five years as auditor by the previous partner.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 22 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Any information to be disclosed to the ASX is subjected to review and authorisation by at least 2 directors before its release. This ensures that the information released is accurate.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

AtCor has adopted the Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007 that makes the annual report available on the company's website and only provides a printed copy to those members who elect to receive it in this form.

The website also includes a feedback mechanism and an option for shareholders to register their email address for direct email updates on company matters.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

AtCor is active in communicating with its shareholders, including posting all announcements to a separate section on its website. Additionally, shareholders and interested parties may receive an email notification when announcements have been posted if desired. The company complies with this principle.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Board members receive full reports from all functions within the company each Board meeting which alert directors to specific risks and actions taken to mitigate these risks. A company-wide review of risk is also undertaken periodically and actions taken to mitigate risk where appropriate.

A comprehensive quality system is in place that is reviewed regularly by various regulatory bodies from around the world. This quality system places considerable importance on maintaining a strong control environment.

Due to the company's size no separate internal audit function has been established. Substantive testing is undertaken by external auditors who Directors may contact independently.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

A Remuneration and Nomination Committee has been in place for the full reporting period and comprises 3 independent directors as members, being:

- Peter Jenkins – Chairman
- David Brookes
- Donal O'Dwyer

Details of their qualifications and attendance at committee meetings are detailed on pages 8 to 10 of the Directors' Report. The Committee is subject to a Remuneration and Nomination Committee charter that is published on the AtCor website.

Remuneration principles are disclosed on page 10. An assessment of senior management's performance against set targets is made by the Remuneration Committee at least annually.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	Consolidated 2012 $	2011 $
Revenue from continuing operations			
Revenue from sale of goods and services	5	6,441,493	7,458,450
Other revenue	5	1,214	19,748
Total revenue		**6,442,707**	**7,478,198**
Other income	6	674,285	199,183
Expenses from ordinary activities			
Cost of sale of goods		(991,619)	(1,080,926)
Marketing and sales expense		(4,105,686)	(4,911,111)
Product development and regulatory expense		(2,113,466)	(2,255,351)
Occupancy expense		(158,968)	(114,884)
Administration expense		(1,732,772)	(1,769,435)
Foreign exchange losses		–	(626,758)
Loss before income tax	7	**(1,985,519)**	**(3,081,084)**
Income tax expense	8	–	–
Loss for the year		**(1,985,519)**	**(3,081,084)**
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		(57,557)	74,083
Total comprehensive loss for the year		**(2,043,076)**	**(3,007,001)**
Total comprehensive loss attributable to members of AtCor Medical Holdings Limited		**(2,043,076)**	**(3,007,001)**
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	30	(1.5)	(2.6)
Diluted earnings per share	30	(1.5)	(2.6)

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

BALANCE SHEET

As at 30 June 2012

	Notes	Consolidated 2012 $	Consolidated 2011 $
ASSETS			
Current assets			
Cash and cash equivalents	9	1,117,306	1,714,291
Trade and other receivables	10	1,930,337	2,694,538
Inventories	11	542,114	291,720
Other	12	142,167	235,452
Total current assets		**3,731,924**	**4,936,001**
Non-current assets			
Property, plant and equipment	13	422,793	242,619
Intangible assets	14	27,041	72,716
Total non-current assets		**449,834**	**315,335**
Total assets		**4,181,758**	**5,251,336**
LIABILITIES			
Current liabilities			
Trade and other payables	15	2,219,118	2,164,795
Provisions	16	20,067	19,566
Total current liabilities		**2,239,185**	**2,184,361**
Non-current liabilities			
Provisions	17	58,153	34,853
Total non-current liabilities		**58,153**	**34,853**
Total liabilities		**2,297,338**	**2,219,214**
Net assets		**1,884,420**	**3,032,122**
EQUITY			
Contributed equity	18	31,954,152	31,192,352
Reserves	19(a)	1,516,678	1,440,661
Accumulated losses	19(b)	(31,586,410)	(29,600,891)
Total equity		**1,884,420**	**3,032,122**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Notes	Contributed Equity	Reserves	Retained Earnings	Total
		$	$	$	$
Balance at 1 July 2010		29,039,194	1,217,378	(26,519,807)	3,736,765
Loss for the year		–	–	(3,081,084)	(3,081,084)
Other comprehensive income		–	74,083	–	74,083
Total comprehensive income/(loss) for the year		–	74,083	(3,081,084)	(3,007,001)
Transactions with equity holders in their capacity as equity holders:					
Capital placement & rights issue (net)	18	2,153,158	–	–	2,153,158
Employee share options expensed	19	–	149,200	–	149,200
		2,153,158	149,200	–	2,302,358
Balance at 30 June 2011		**31,192,352**	**1,440,661**	**(29,600,891)**	**3,032,122**
Loss for the year		–	–	(1,985,519)	(1,985,519)
Other comprehensive income/(loss)		–	(57,557)	–	(57,557)
Total comprehensive income/(loss) for the year		–	(57,557)	(1,985,519)	(2,043,076)
Transactions with equity holders in their capacity as equity holders:					
Capital placement & rights issue (net)	18	761,800	–	–	761,800
Employee share options expensed	19	–	133,574	–	133,574
		761,800	133,574	–	895,374
Balance at 30 June 2012		**31,954,152**	**1,516,678**	**(31,586,410)**	**1,884,420**

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 2012

	Notes	Consolidated 2012 $	2011 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		7,108,154	7,733,172
Payments to suppliers and employees (inclusive of goods and services tax)		(8,850,590)	(9,838,304)
		(1,742,436)	(2,105,132)
Other revenue		558,900	190,380
Interest received		1,214	19,748
Net cash outflow from operating activities	**29**	**(1,182,322)**	**(1,895,004)**
Cash flows from investing activities			
Payments for property, plant and equipment		(392,289)	(81,842)
Net cash inflow (outflow) from investing activities		**(392,289)**	**(81,842)**
Cash flows from financing activities			
Net proceeds from issue of shares		761,800	2,153,158
Advance payment for share purchases by Directors (net of costs)		170,184	–
Net cash inflow from financing activities		**931,984**	**2,153,158**
Net (decrease)/increase in cash and cash equivalents		**(642,627)**	**176,312**
Cash and cash equivalents at the beginning of the financial year		1,714,291	1,608,504
Effects of exchange rate changes on cash and cash equivalents		45,642	(70,525)
Cash and cash equivalents at end of financial year	**9**	**1,117,306**	**1,714,291**

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 2012

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 (IFRSs).

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) Going concern

During the year ended 30 June 2012, the Consolidated Entity incurred an operating losses of $1,985,519 (2011: $3,081,084) and net cash outflows from operating activities of $1,182,322 (2011:$1,895,004), and at 30 June 2012 had cash on hand of $1,117,306 (2011:$1,714,291). During the year ended 30 June 2012, the parent entity incurred an operating loss of $965,478 (2011: $835,271), and at 30 June 2012 had cash on hand of $707,465 (2011:$640,803) and net current liabilities of $6,588,056 (2011: $3,226,888).

The Board and management intend to improve the current financial position by carrying out the following actions over the next 12 months:

- continuing to secure contracts with existing and new pharmaceutical customers to derive income from sales of product in line with the Company's cash flow forecasts
- continued close and effective monitoring of the Company's operating expenditure, including undertaking appropriate cost saving initiatives as necessary. The Board approves an annual budget and regularly receives forecasts from management to monitor performance against budget and to consider longer term prospects.

In addition to the above, the Board has approved plans to manage cash inflows and outflows, including reducing annual costs and delaying expenditures as necessary, to ensure that the Consolidated Entity and parent entity will have sufficient funds to meet its debts as and when they fall due for a period of at least 12 months from the date of this report.

In these circumstances the directors have considered the suitability of adopting the going concern basis for the preparation of this financial report and have concluded that it is appropriate.

c) 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.

d) 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 2012 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(c)).

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.

e) Segment reporting

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

f) 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.

g) 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

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.

h) Government grants

Grants from the government 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.

i) 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.

j) 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.

k) 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).

l) 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.

m) 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.

n) 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.

o) 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.

p) 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(k)).

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

q) 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.

r) 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.

s) 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.

t) 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 national government 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 31.

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 entity 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.

u) 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.

v) 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.

w) 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.

x) 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.

y) Parent entity financial information

The financial information for the parent entity, AtCor Medical Holdings Limited, disclosed in note 32, has been prepared on the same basis as the consolidated financial statements.

Tax consolidation legislation

AtCor Medical Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of July 1, 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.

z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 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 2013 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 has not yet decided when to adopt AASB 9.

ii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. AtCor Medical Holdings Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

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 – 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 interest rate and 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 Dollar.

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

	30 June 2012		30 June 2011	
	USD	EUR	USD	EUR
Trade Receivables	1,499,736	328,320	2,345,718	278,444
Financial Assets	345,776	68,742	1,529,231	167,967
Trade Payables	(496,149)	(46,409)	(583,378)	(57,787)

Sensitivity

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's pre-tax loss for the year would have varied by $146,458/($131,813) (2011: $342,015/($307,814)). Had the Australian dollar weakened/strengthened by 10% against the Euro with all other variables held constant, the Group's pre-tax loss for the year would have varied by $48,196/($43,377) (2011: $58,458/($52,611)). The increased exposure is due to increased cash and receivables held in foreign currencies as the business grows offshore.

(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.

Geographic areas are:

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

(b) Segmental information provided to the Board

	Americas $	Europe $	Asia Pacific $	Inter-segment eliminations/ unallocated $	Consolid-ated $
2012					
Sales to external customers	4,837,545	918,331	685,617	–	6,441,493
Intersegment sales	–	–	3,112,574	(3,112,574)	–
Total sales revenue	4,837,545	918,331	3,798,191	(3,112,574)	6,441,493
Other revenue/income	24,032	–	535,279	–	559,311
Total segment revenue/income	**4,861,577**	**918,331**	**4,333,470**	**(3,112,574)**	**7,000,804**
Segment result	828,279	(214,722)	(2,714,049)	–	(2,100,492)
Unallocated revenue less unallocated expenses					114,973
Loss before income tax					(1,985,519)
Income tax expense					–
Loss for the year					**(1,985,519)**
2011					
Sales to external customers	5,546,984	1,139,467	772,000		7,458,450
Inter-segment sales	–	–	2,405,559	(2,405,559)	–
Total sales revenue	5,546,984	1,139,467	3,177,559	(2,405,559)	7,458,450
Other revenue/income	111,615	–	83,660	–	195,275
Total segment revenue/income	**5,658,599**	**1,139,467**	**3,261,219**	**(2,405,559)**	**7,653,725**
Segment result	762,271	(239,924)	(3,150,329)	–	(2,627,982)
Unallocated revenue less unallocated expenses					(453,102)
Loss before income tax					(3,081,084)
Income tax expense					–
Loss for the year					**(3,081,084)**

(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 $3,098,000 (2011: $4,108,000) are derived from two customers. These revenues are attributable to the Americas operating segment.

NOTE 5 – REVENUE

	Consolidated 2012 $	Consolidated 2011 $
From continuing operations		
Sales revenue		
Sale of goods	5,249,187	6,546,429
Sale of services	1,192,306	912,021
	6,441,493	**7,458,450**
Other revenue		
Interest	1,214	19,748
	6,442,707	**7,478,198**

NOTE 6 – OTHER INCOME

	Consolidated 2012 $	Consolidated 2011 $
Government grants (note (a))	558,900	190,380
Foreign exchange gains	68,939	–
Others	46,446	8,803
	674,285	**199,183**

(a) Government grants

Commercialisation Australia grants of $534,868 (2011: $Nil) were recognised as other income by the Group during the financial year. Final payment in settlement of Commercial Ready grant of $83,660 was received in 2011. There are no unfulfilled conditions or other contingencies attaching to these grants. Additionally, the US subsidiary received $24,032 (2011: $106,720) under the US Government Therapeutic Discovery grant program.

NOTE 7 – EXPENSES

	Consolidated 2012 $	Consolidated 2011 $
Loss before income tax includes the following specific expenses:		
Depreciation on plant and equipment	136,509	94,505
Amortisation of patents and trademarks	45,675	58,284
	182,184	**152,789**
Employee benefit expense	4,615,508	5,205,261
Rental expense relating to operating leases	158,968	114,884
Foreign exchange losses (net)	–	626,758
Research and development	1,299,169	1,343,562

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 2012 $	Consolidated 2011 $
Loss from continuing operations before income tax expense	(1,985,519)	(3,081,084)
Tax at the Australian tax rate of 30% (2011 – 30%)	(595,656)	(924,325)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payment	40,073	44,760
Amortisation of intangibles	13,703	17,485
Sundry items	373	243
	(541,507)	**(861,837)**
Differences in overseas tax rates	34,438	81,988
Benefit of tax losses and temporary differences not recognised	507,069	779,849
Income tax expense	–	–

(b) Tax losses

	Consolidated 2012 $	Consolidated 2011 $
Unused tax losses for which no deferred tax asset has been recognised:	26,369,740	24,679,510
Potential tax benefit @ 30%	7,910,922	7,403,853

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 wholly-owned Australian controlled entities are consolidated for income tax purposes. The accounting policy in relation to this legislation is set out in note 1(i).

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	
	2012 $	2011 $
Cash at bank and on hand	1,117,306	1,714,291
	1,117,306	**1,714,291**

(a) Cash at bank and on hand

These are a combination of non-interest bearing and interest bearing at floating interest rates between 0.00% and 0.5% (2011: 0.00% – 0.25%).

NOTE 10 – CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 $	2011 $
Trade receivables	1,941,271	2,883,783
Less: Provision for doubtful debts	(69,230)	(248,022)
	1,872,041	2,635,761
Other receivables	58,296	58,777
	1,930,337	**2,694,538**

(a) Impaired trade receivables

As at 30 June 2012 current trade receivables of the Group with a nominal value of $69,230 (2011: $248,022) were impaired. The amount of the provision was $69,230 (2011: $248,022).

	Consolidated	
	2012 $	2011 $
At 1 July	248,022	21,226
Provision for impairment recognised during the year	11,809	229,674
Receivables written off during the year as uncollectible	(190,601)	(2,878)
	69,230	**248,022**

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 2012, trade receivables of $274,753 (2011: $505,362) 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 2012 $	Consolidated 2011 $
0 – 30 days	71,606	103,434
30 – 60 days	35,620	72,288
> 60 days	167,527	329,640
	274,753	**505,362**

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 2012 $	Consolidated 2011 $
Raw materials and stores – at cost	376,743	215,958
Finished goods at cost	165,371	75,762
	542,114	**291,720**

Inventories recognised as expense during the year ended 30 June 2012 amounted to $522,484 (2011: $478,445). A charge of $37,051 was taken to write-off obsolete inventories in the year ended 30 June 2012 (2011: $Nil).

NOTE 12 – CURRENT ASSETS – OTHER

	Consolidated 2012 $	Consolidated 2011 $
Prepayments	108,027	203,034
Other	34,140	32,418
	142,167	**235,452**

NOTE 13 – NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Manufacturing plant and equipment $	Furniture, fittings and equipment $	Devices leased to customers $	Total $
At 1 July 2010				
Cost	241,323	623,193	–	864,516
Accumulated depreciation	(147,327)	(461,907)	–	(609,234)
Net book amount	**93,996**	**161,286**	**–**	**255,282**
Year ended 30 June 2011				
Opening net book amount	93,996	161,286	–	255,282
Additions	–	70,107	11,735	81,842
Depreciation charge	(21,186)	(70,689)	(2,630)	(94,505)
Closing net book amount	**72,810**	**160,704**	**9,105**	**242,619**
At 30 June 2011				
Cost	241,323	693,300	11,735	946,358
Accumulated depreciation	(168,513)	(532,596)	(2,630)	(703,739)
Net book amount	**72,810**	**160,704**	**9,105**	**242,619**
Year ended 30 June 2012				
Opening net book amount	72,810	160,704	9,105	242,619
Additions	240,127	35,355	116,807	392,289
Exchange differences	–	(54,405)	(5,474)	(59,879)
Write-off	–	(15,727)	–	(15,727)
Depreciation charge	(39,793)	(20,717)	(75,999)	(136,509)
Closing net book amount	**273,144**	**105,210**	**44,439**	**422,793**
At 30 June 2012				
Cost	481,450	658,523	123,068	1,263,041
Accumulated depreciation	(208,306)	(553,313)	(78,629)	(840,248)
Net book amount	**273,144**	**105,210**	**44,439**	**422,793**

NOTE 14 – NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Development costs $	Patents $	Total $
At 1 July 2010			
Cost	135,713	240,910	376,623
Accumulated amortisation and impairment	(104,046)	(141,577)	(245,623)
Net book amount	**31,667**	**99,333**	**131,000**
Year ended 30 June 2011			
Opening net book amount	31,667	99,333	131,000
Write-off expired patent	–	(150,000)	(150,000)
Write back amortisation from expired patent	–	150,000	150,000
Amortisation charge	(31,667)	(26,617)	(58,284)
Closing net book amount	–	**72,716**	**72,716**
At 30 June 2011			
Cost	135,713	90,910	226,623
Accumulated amortisation and impairment	(135,713)	(18,194)	(153,907)
Net book amount	–	**72,716**	**72,716**
Year ended 30 June 2012			
Opening net book amount	–	72,716	72,716
Amortisation charge	–	(45,675)	(45,675)
Closing net book amount	**–**	**27,041**	**27,041**
At 30 June 2012			
Cost	–	90,910	90,910
Accumulated amortisation and impairment	–	(63,869)	(63,869)
Net book amount	**–**	**27,041**	**27,041**

NOTE 15 – CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated 2012 $	Consolidated 2011 $
Trade payables	1,071,266	1,047,760
Other payables	1,147,852	1,117,035
	2,219,118	**2,164,795**

Other payables includes advance payment by directors for purchase of shares ($177,000). See note 28 for further details

NOTE 16 – CURRENT LIABILITIES – PROVISIONS

	Consolidated 2012 $	Consolidated 2011 $
Current employee benefits – long service leave	**20,067**	**19,566**

NOTE 17 – NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated 2012 $	Consolidated 2011 $
Employee benefits – long service leave	**58,153**	**34,853**

NOTE 18 – CONTRIBUTED EQUITY

	2012 Shares	2011 Shares	2012 $	2011 $
(a) Share capital				
Fully paid ordinary shares	147,815,279	134,098,611	31,954,152	31,192,352

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$
1 July 2010	Opening balance	100,391,667		29,039,194
29 October 2010	Share placement	14,550,000	$0.07	1,018,500
2 December 2010	Rights issue	13,617,995	$0.07	953,260
10 December 2010	Rights issue – underwriting	5,538,949	$0.07	387,726
	Less: transaction fees on share placement and rights issue			(206,328)
30 June 2011	Balance	134,098,611		31,192,352
22 June 2012	Share placement	13,716,668	$0.06	823,000
	Less transaction fees on share placement			(61,200)
30 June 2012	Closing balance	147,815,279		31,954,152

During the year ended 30 June 2012 13,716,668 shares were issued via a private placement to sophisticated investors.

A placement and rights issue was also undertaken during the year ended 30 June 2011, in which 33,706,944 shares were issued via a private placement to sophisticated investors and a 1:7 rights issue was successfully completed.

(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.

(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 31.

NOTE 19 – RESERVES AND RETAINED PROFITS

	Consolidated	
	2012 $	2011 $
(a) Reserves		
Share-based payments reserve	1,108,863	975,289
Foreign currency translation reserve	407,815	465,372
	1,516,678	**1,440,661**
Movements:		
Share-based payments reserve		
Balance 1 July	975,289	826,089
Option expense	133,574	149,200
Balance 30 June	**1,108,863**	**975,289**
Foreign currency translation reserve		
Balance 1 July	465,372	391,289
Currency translation differences arising through the year	(57,557)	74,083
Balance 30 June	**407,815**	**465,372**
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance 1 July	(29,600,891)	(26,519,807)
Net loss for the year	(1,985,519)	(3,081,084)
Balance 30 June	**(31,586,410)**	**(29,600,891)**

(c) Nature and purpose of reserves

Share-based payments reserve

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

NOTE 20 – DIVIDENDS

No dividends were paid or declared since 30 June 2012 and the directors do not recommend the payment of a dividend.

NOTE 21 – KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated	
	2012 $	2011 $
Short-term employee benefits	1,195,091	1,366,654
Long-term benefits	7,787	6,027
Post-employment benefits	53,367	56,871
Share-based payments	71,540	78,488
	1,327,785	**1,508,040**

The company 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.

2012	Balance at the start of the year	Granted during the year as compens-ation	Exercised during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of AtCor Medical Holdings Ltd						
D O'Dwyer (Chairman)	400,000	–	–	–	400,000	400,000
D.R Ross (CEO)	2,500,000	2,500,000	–	–	5,000,000	2,000,000
M O'Rourke	200,000	–	–	–	200,000	200,000
P Jenkins	200,000	–	–	–	200,000	200,000
D.L Brookes	200,000	–	–	–	200,000	200,000
Other key management personnel of the Group						
P Manley	975,000	150,000	–	–	1,125,000	725,000
D Kurschinski	2,450,000	500,000	–	(575,000)	2,375,000	1,591,667
M Harding	900,000	350,000	–	–	1,250,000	633,334

2011						
Directors of AtCor Medical Holdings Ltd						
D O'Dwyer (Chairman)	400,000	–	–	–	400,000	400,000
D.R Ross (CEO)	4,500,000	–	–	(2,000,000)	2,500,000	2,000,000
M O'Rourke	200,000	–	–	–	200,000	200,000
P Jenkins	200,000	–	–	–	200,000	200,000
D.L Brookes	200,000	–	–	–	200,000	200,000
Other key management personnel of the Group						
P Manley	1,175,000	300,000	–	(500,000)	975,000	466,667
D Kurschinski	2,150,000	300,000	–	–	2,450,000	1,741,667
M Harding	700,000	200,000	–	–	900,000	333,334

(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
2012				
Directors of AtCor Medical Holdings Ltd				
Ordinary shares				
D O'Dwyer (Chairman)	2,450,655	–	–	2,450,655
D.R Ross (CEO)	1,269,719	–	–	1,269,719
M O'Rourke	10,378,063	–	–	10,378,063
P.R Jenkins	1,042,727	–	–	1,042,727
D.L Brookes	658,257	–	–	658,257
Other key management personnel of the Group				
Ordinary shares				
P Manley	216,667	–	166,667	383,334
D Kurschinski	408,522	–	–	408,522
M Harding	280,000	–	200,000	480,000
2011				
Directors of AtCor Medical Holdings Ltd				
Ordinary shares				
D O'Dwyer (Chairman)	1,940,012	–	510,643	2,450,655
D.R Ross (CEO)	992,000	–	277,719	1,269,719
M O'Rourke	9,565,788	–	812,275	10,378,063
P.R Jenkins	893,766	–	148,961	1,042,727
D.L Brookes	500,000	–	158,257	658,257
Other key management personnel of the Group				
Ordinary shares				
P Manley	100,000	–	116,667	216,667
D Kurschinski	350,254	–	58,268	408,522
M Harding	240,000	–	40,000	280,000

(c) Other transactions with key management personnel

(i) The Group was party to an exclusive license agreement with Eastern Medical Testing Service Inc (EMTS Inc) over a US patent (US Patent number 5,265,011) until November 2010 when the patent expired. EMTS Inc is a company controlled by an associate of a director, M O'Rourke. The license agreement contained a royalty scheme under which payments were calculated by reference to the amount of net sales revenue made by the Group from the sale of products incorporating the US Patent.

(ii) A director, M O'Rourke, provides consulting services to the Group as a medical advisor, for which he receives a monthly retainer. This agreement is based on normal commercial terms and conditions. The amount paid for the year ended 30 June 2012 is $177,955 (2011: $172,772)

(iii) Directors paid $177,000 to the Company in advance of share purchases being approved by shareholders at the 8 August 2012 general meeting.

Aggregate amounts of each of the above types of other transactions with key management personnel of AtCor Medical Holdings Limited:

	2012 $	2011 $
Amounts recognised as expense		
Royalty	–	64,055
Consulting fees	177,955	172,772
	177,955	**236,827**

Aggregate amounts payable to key management personnel of the Group at balance date relating to the above types of other transactions:

	2012 $	2011 $
Current liabilities	**204,313**	**14,398**

NOTE 22 – 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 non-related audit firms:

	Consolidated	
	2012 $	2011 $
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	110,000	112,000
Other assurance services		
PricewaterhouseCoopers Australian firm		
Audit of Commercial Ready grant	–	–
Total remuneration for assurance services	**110,000**	**112,000**

NOTE 23 – CONTINGENCIES

(a) Contingent liabilities

No contingent liabilities exist at this time.

(b) Contingent assets

No contingent assets exist at this time.

NOTE 24 – COMMITMENTS

(a) Lease commitments : Group as lessee

	Consolidated 2012 $	Consolidated 2011 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	45,188	105,189
Later than one year but not later than five years	260,971	330,858
More than five years	–	43,154
	306,159	**479,201**

NOTE 25 – 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 26.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 21 and in the remuneration report within the Directors' Report.

NOTE 26 – 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(d):

Name of entity	Country of incorporation	Class of shares	Equity holding * 2012 %	Equity holding * 2011 %
AtCor Medical Pty Limited	Australia	Ordinary	100%	100%
AtCor Medical Inc.	USA	Ordinary	100%	100%
AtCor Medical UK Limited	United Kingdom	Ordinary	100%	100%

* The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 27 – 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 28 – EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Directors have purchased 2,950,000 newly issued shares in AtCor Medical Holdings Limited at $0.06 per share following approval by shareholders at the Extraordinary General Meeting held on 8 August 2012. Funds were advanced to AtCor at the time of the placement in expectation of shareholder approval – refer note 15.

NOTE 29 – RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASHFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2012 $	2011 $
Loss for the year	**(1,985,519)**	**(3,081,084)**
Depreciation and amortisation	182,184	152,789
Assets written off	15,727	–
Non-cash employee benefits expense – share-based payments	133,574	149,200
Exchange difference	2,322	74,083
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	764,201	738,160
Decrease/(Increase) in inventories	(250,394)	3,340
Decrease/(Increase) in other operating assets	47,643	13,832
(Decrease)/Increase in trade and other payables	(115,861)	37,665
(Decrease)/Increase in other provisions	23,801	17,011
Net cash outflow from operating activities	**(1,182,322)**	**(1,895,004)**

NOTE 30 – EARNINGS PER SHARE

	Consolidated	
	2012 cents	2011 cents
(a) Earnings per share		
Basic earnings per share	(1.5)	(2.6)
Diluted earnings per share	(1.5)	(2.6)
(b) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Loss from continuing operations	(1,985,519)	(3,081,084)
Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	(1,985,519)	(3,081,084)

	Consolidated	
	2012 Number	2011 Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	134,398,421	120,973,119
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	134,398,421	120,973,119

(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 31.

No options granted are included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2012.

NOTE 31 – 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 & 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 5 year period, and 33.3% of each new tranche vests and is exercisable after each of the first 3 anniversaries of the date of grant.

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

When exercisable, each option is convertible into 1 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 5 trading days immediately before the options are granted.

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

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired/ Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity – 2012								
22 Sep 2006	22 Sep 2011	$0.500	1,345,000	–	–	(1,345,000)	–	–
14 Dec 2006	14 Dec 2011	$0.500	500,000	–	–	(500,000)	–	–
22 Aug 2007	22 Aug 2012	$0.150	2,175,000	–	–	(500,000)	1,675,000	1,675,000
14 Nov 2007	14 Nov 2012	$0.150	1,000,000	–	–	–	1,000,000	1,000,000
22 Aug 2008	22 Aug 2013	$0.120	1,300,000	–	–	(300,000)	1,000,000	1,000,000
4 Nov 2008	4 Nov 2013	$0.130	3,220,000	–	–	(200,000)	3,020,000	3,020,000
20 Aug 2009	20 Aug 2014	$0.165	400,000	–	–	–	400,000	266,667
21 Oct 2009	21 Oct 2013	$0.215	1,000,000	–	–	–	1,000,000	1,000,000
18 Feb 2010	18 Feb 2015	$0.164	625,000	–	–	–	625,000	416,667
1 Mar 2010	1 Mar 2015	$0.164	150,000	–	–	–	150,000	100,000
17 Feb 2011	17 Feb 2016	$0.120	1,895,000	–	–	–	1,895,000	631,672
21 Oct 2011	21 Oct 2016	$0.084	–	2,500,000	–	–	2,500,000	–
16 Feb 2012	16 Feb 2017	$0.098	–	2,265,000	–	–	2,265,000	–
Total			**13,610,000**	**4,765,000**	**–**	**(2,845,000)**	**15,530,000**	**9,110,006**
Weighted average exercise price			**$0.19**	**$0.09**		**$0.37**	**$0.13**	
Consolidated and parent entity – 2011								
9 Nov 2005	9 Nov 2010	$0.50	500,000	–	–	(500,000)	–	–
8 May 2006	8 May 2011	$0.50	2,000,000	–	–	(2,000,000)	–	–
22 Sep 2006	22 Sep 2011	$0.50	1,345,000	–	–	–	1,345,000	1,345,000
14 Dec 2006	14 Dec 2011	$0.50	500,000	–	–	–	500,000	500,000
22 Aug 2007	22 Aug 2012	$0.15	2,175,000	–	–	–	2,175,000	2,175,000
14 Nov 2007	14 Nov 2012	$0.15	1,000,000	–	–	–	1,000,000	1,000,000
22 Aug 2008	22 Aug 2013	$0.12	1,500,000	–	–	(200,000)	1,300,000	866,667
4 Nov 2008	4 Nov 2013	$0.13	3,220,000	–	–	–	3,220,000	2,146,666
20 Aug 2009	20 Aug 2014	$0.165	400,000	–	–	–	400,000	133,334
21 Oct 2009	21 Oct 2013	$0.215	1,000,000	–	–	–	1,000,000	1,000,000
18 Feb 2010	18 Feb 2015	$0.164	625,000	–	–	–	625,000	208,334
1 Mar 2010	1 Mar 2015	$0.164	150,000	–	–	–	150,000	50,000
17 Feb 2011	17 Feb 2016	$0.12	–	1,895,000	–	–	1,895,000	–
Total			**14,415,000**	**1,895,000**	**–**	**(2,700,000)**	**13,610,000**	**9,425,001**
Weighted average exercise price			**$0.25**	**$0.12**		**$0.47**	**$0.19**	

1,000,000 options were forfeited during 2012 (2011: 200,000) and 1,845,000 options expired (2011: 2,500,000) in the same period whilst no options were exercised (2011: nil)

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.5 years (2011 – 3.3 years).

2,000,000 options were granted to Taycol Nominees Pty Limited as part remuneration for successfully managing and underwriting a capital placement and rights issue during the FY2011. The options were issued with an exercise price of $0.091, a 30% premium to the share issue price. The options vest in 12 months and expire on 2 December 2013.

Fair value of options granted

The weighted average assessed fair value at grant date of options granted during the year ended 2012 was 3.6 cents per option (2011 – 4.2 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 2012 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) ave exercise price: $0.09 (2011 $0.12)

(c) expiry date: 5 years from grant date (2011 – 5 years from grant date)

(d) Ave share price at grant date: $0.08 (2011 $0.10)

(e) expected price volatility of the company's shares: 60% (2011 60%)

(f) expected dividend yield: nil% (2011 nil%)

(g) risk-free interest rate: 4.64% (2011 4.76%)

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 share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2012 $	2011 $
Options issued under employee option plan	**133,574**	**149,200**

NOTE 32 – PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2012 $	2011 $
Balance sheet		
Current assets	1,128,732	1,056,880
Total assets	41,242,622	37,879,706
Current liabilities	7,716,788	4,283,768
Total liabilities	7,716,788	4,283,768
Shareholders equity		
Issued capital (note (b))	38,411,442	37,649,642
Reserves – Share based payments (note (b))	1,108,864	975,290
Accumulated losses	(5,994,472)	(5,028,994)
	33,525,834	33,595,938
Loss for the year	(965,478)	(835,271)
Total comprehensive income/(loss)	**(965,478)**	**(835,271)**

(b) Contributed equity

The difference between the contributed equity of the parent entity and that of the consolidated entity is a result of accounting for the reverse acquisition. The consolidated entity includes the cost of AtCor Medical Holdings Limited and AtCor Medical Pty Limited at original cost. AtCor Medical Holdings Limited is deemed to acquire AtCor Medical Pty Ltd and the $20,132,000 is shown at fair value in the consolidated balance sheet.

(c) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity during 2012 or 2011.

(d) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

(e) Contractual commitments

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

DIRECTOR'S DECLARATION

For the year ended 30 June 2012

In the directors' opinion:

(a) the financial statements and notes set out on pages 25 to 53 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 2012 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

23 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

pwc

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 2012, and the statement of comprehensive income, statement of changes in equity and the 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 the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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(a), 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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Independent auditor's report to the members of Atcor Medical Holdings Limited (continued)

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of 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 2012 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 18 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michelle Chiang

M W Chiang
Partner

Sydney
23 August 2012

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 4 September 2012.

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	31	6,026
1,001 to 5,000	99	380,298
5,001 to 10,000	43	369,727
10,001 to 100,000	181	7,998,463
100,001 and Over	144	142,010,765
Total	**498**	**150,765,279**

There were 147 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	%
UBS Nominees Pty Ltd	14,825,157	9.83%
Capital Investment Pty Ltd	12,332,347	8.18%
National Nominees Limited	11,526,380	7.65%
Pehila Pty Ltd <O'Rourke Super Fund A/C>	10,411,396	6.91%
CB Co Pty Ltd <The Curran Superannuation Fund>	10,000,000	6.63%
J P Morgan Nominees Australia Limited	6,565,862	4.36%
Dr Russell Kay Hancock	3,000,001	1.99%
Mr Donald O'Dwyer & Mrs Judith O'Dwyer <Dundrum Super Fund A/C>	2,818,986	1.87%
Dinwoodie Investments Pty Ltd <Dinwoodie Investments A/C>	2,708,334	1.80%
Towns Corporation Pty Ltd <Pae Family A/C>	2,350,000	1.56%
Carnethy Evergreen Pty Ltd <Carnethy Evergreen Fund A/C>	2,225,000	1.48%
Calama Holdings Pty Ltd <Mambat Super Fund A/C>	2,116,667	1.40%
Barrijag Pty Ltd <The Hadley S/F A/C>	2,000,000	1.33%
Asset Selection Advisors Pty Ltd	2,000,000	1.33%
Octifil Pty Ltd	1,731,431	1.15%
Symington Pty Ltd	1,650,000	1.09%
Drumnadrochit Futures Pty Ltd	1,550,001	1.03%
Mr Duncan Richardson Ross & Ms Carol Harvey Ross	1,416,667	0.94%
Barrijag Pty Ltd <The Hadley Super Fund A/C>	1,381,250	0.92%
Mrs Susan Hadley	1,300,000	0.86%
Grinch Nominees Pty Ltd <Grinch A/C>	1,290,000	0.86%
	95,199,479	63.14%

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	21,322,500	25

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	No. of shares held	Percentage of issued shares
UBS Nominees Pty Ltd	14,825,157	9.83%
Capital Investment Pty Ltd	12,332,347	8.18%
National Nominees Limited	11,526,380	7.65%
Pehila Pty Ltd <O'Rourke Super Fund A/C>	10,411,396	6.91%
CB Co Pty Ltd <The Curran Superannuation Fund>	10,000,000	6.63%

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.

CORPORATE DIRECTORY

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 FAICD

SECRETARY

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

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SHARE AND DEBENTURE REGISTER

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AUDITOR

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Sydney NSW 1171

SOLICITORS

Dibbs Barker
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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.

Website address www.atcormedical.com