M HEALTH LIMITED

ABN 25 009 121 644

ANNUAL REPORT

30 JUNE 2005

M Health Limited

ABN 25 009 121 644

CORPORATE DIRECTORY

Directors

David C Steinepreis

Hugh D Warner

Gary C Steinepreis

Secretary

Gary C Steinepreis

Registered and Principal Office

Level 1

33 Ord Street

West Perth WA 6005

Australia

Telephone: (61 8) 9420 9300

Facsimile: (61 8) 9481 2690

Share Register

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St Georges Terrace

Perth WA 6000

Australia

Telephone: 1300 557 010

International: (61 8) 9323 2000

Facsimile: (61 8) 9323 2033

Stock Exchange Listing

M Health Limited shares are listed on the Australian Stock Exchange, the home branch being Perth

ASX Code: MHL

CONTENTS

DIRECTORS' REPORT

The Directors of M Health Limited present their report for the year ended 30 June 2005.

DIRECTORS

The names of the Directors of M Health Limited in office during the year and until the date of this report are:

David C Steinepreis
Hugh D Warner
Gary C Steinepreis

The details of the Directors in office at the date of this Report are:

Mr David Steinepreis

David Steinepreis is a Chartered Accountant and former partner of an international accounting firm where he specialised in strategic corporate advice and taxation for listed companies. He entered commerce as a director, adviser and major shareholder of a number of listed companies in the gold, diamonds, oil and new mining technology sectors.

Mr Steinepreis is chairman of Ascent Capital Pty Ltd and has held directorships in the following listed public companies in the last three years:

Name of Company	Appointed	Resigned
Fusia Limited	24/12/2003	15/12/2004
Black Range Minerals Limited	08/01/2004	22/08/2005
Green Rock Energy Limited	21/09/2000	10/05/2005
OBJ Limited	13/02/2004	08/12/2004
Salus Technologies Limited	18/08/2003	27/06/2005
Deep Yellow Limited	20/08/2004	07/01/2005
Extract Resources Limited	04/09/2003	20/01/2004
Medivac Limited	15/09/2003	19/01/2004
Aeris Technologies Limited	01/08/2000	24/07/2002
Copperco Limited	11/02/2002	08/05/2002
Resonance Health Limited	18/10/2002	11/11/2003
View Resources Limited	14/03/2002	13/06/2003
IM Medical Limited	28/11/2003	16/09/2004
Service Stream Limited	20/11/2003	27/07/2004
Peninsular Minerals Limited	07/05/2003	22/03/2004
Imugene Limited	29/01/2002	30/08/2002
Australian Ethanol Limited	01/02/2002	05/12/2002

Mr Hugh Warner

Hugh Warner holds a Bachelor of Economics Degree from the University of Western Australia. Mr Warner has been involved with a number of private and publicly listed companies in Australia, UK and Canada involved in the oil and gas, gold, diamonds and technology sectors. He contributes general corporate and company secretarial management skills along with a strong knowledge of both the Australian and UK Stock Exchange requirements.

Mr Warner is a director of Ascent Capital Pty Ltd and has held directorships in the following listed public companies in the last three years:

DIRECTORS' REPORT (continued)

Name of Company	Appointed	Resigned
Fusia Limited	24/12/2003	15/12/2004
Black Range Minerals Limited	08/01/2004	27/06/2005
Green Rock Energy Limited	21/09/2000	Current
OBJ Limited	13/02/2004	Current
Salus Technologies Limited	18/08/2003	27/06/2005
Deep Yellow Limited	20/08/2004	18/07/2005
Extract Resources Limited	09/01/2003	20/01/2004
Medivac Limited	15/09/2003	19/01/2004
Aeris Technologies Limited	01/08/2000	04/10/2002
Copperco Limited	11/02/2002	08/03/2002
Resonance Health Limited	18/10/2002	11/11/2003
View Resources Limited	14/03/2002	10/06/2003
IM Medical Limited	28/11/2003	16/09/2004
Service Stream Limited	20/11/2003	27/07/2004
Peninsular Minerals Limited	29/09/2003	08/12/2003

Mr Gary Steinepreis

Gary Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant.

Mr Steinepreis provides corporate, management and accounting advice to a number of companies involved in the resource, technology and leisure industries. He is a director of Ascent Capital Pty Ltd and has held directorships in the following listed public companies in the last three years:

Name of Entity	Appointed	Resigned
Fusia Limited	24/12/2003	15/12/2004
Deep Yellow Limited	20/08/2004	Current
OBJ Limited	13/02/2004	17/11/2004
Medivac Limited	15/09/2003	19/01/2004
Copperco Limited	11/02/2002	08/03/2002
Black Range Minerals Limited	08/01/2004	27/06/2005
Green Rock Energy Limited	22/10/2003	10/05/2005
Extract Resources Limited	09/01/2003	20/01/2004
Resonance Health Limited	18/10/2002	11/11/2003
Australian Development Capital Ltd	01/10/2003	30/09/2004
Salus Technologies Limited	18/08/2004	Current
View Resources Limited	14/03/2002	10/06/2003
Service Stream Limited	20/11/2003	12/01/2004
Bonaparte Diamond Mines NL	11/06/1997	15/05/2004
Peninsular Minerals Limited	29/09/2003	08/12/2003

Other than the Directors, there are no other executives of the Company.

COMPANY SECRETARY

The Company Secretary is Gary Steinepreis. Mr Steinepreis is also a director of the Company.

OPERATING RESULTS

The Company recorded a net loss of $817,152 (2004: net loss of $5,770,296) for the year ended 30 June 2005.

DIRECTORS' REPORT (continued)

PRINCIPAL ACTIVITIES, REVIEW OF OPERATIONS

The entity's principal activity during the year was the assessment of complementary opportunities in the health, fitness and lifestyle industry for growth and revenue potential to complement the existing joint venture business of proprietary services in this field.

Due to continued losses of the Metabolism Centre business the consolidated entity was placed under external administration on 19 January 2004. At a meeting of creditors held on 1 April 2004 creditors voted in favour of the Company entering into a deed of company arrangement with Ascent Capital Pty Ltd so that Ascent Capital could recapitalise the Company. On 4 April 2004, the deed of company arrangement was executed by the relevant parties and nominees of Ascent Capital being David Steinepreis, Hugh Warner and Gary Steinepreis were appointed Directors of the Company on 16 April 2004.

The Deed of Company Arrangement, subject to conditions being met, required that an amount of $510,000, certain assets and rights to the benefit of the Company be made available for the satisfaction of the claims of creditors and to meet the costs of the Administrator and Deed Administrator, and to acquire all intellectual property and certain assets from The Metabolism Centre Pty Ltd (TMC). The intellectual property and certain assets of TMC were assigned a fair value of nil.

The proposal from Ascent Capital required members in General Meeting to vote on and pass resolutions to give effect to the recapitalisation proposal.

The shareholders approved all of the resolutions on 7 July 2004 and the Company changed its name from Metabolism Health Limited to M Health Limited and was subsequently removed from administration on 8 July 2004. On removal from administration the remaining assets of the company at that date were assigned to the Trustee of Creditors and the terms of the Deed of Company Arrangement, and all debts payable by, and claims against the company (actual or contingent), arising before the date of appointment of the administrator, were extinguished. The Company subsequently raised $1,750,000 in funds pursuant to a Prospectus, resulting in net funds raised for $1,240,000 after the deduction of the $510,000 payment to the Administrators. The Company's securities were reinstated to trading on the Official List of the Australian Stock Exchange on 24 September 2004.

The Company has continued its business as a provider of proprietary services in the health, fitness and lifestyle industry as the financial partner of the Future Health Joint Venture with Calchek Pty Ltd, an unrelated party. Calchek Pty Ltd and its partners offers other services to clients and the Future Health Joint Venture relates only to the tests identifying the presence of metabolic dysfunction and other causes of weight gain. The Company has no financial interest in, nor will it benefit from, the other service offerings of Calchek Pty Ltd or its partners and has not derived any revenue from the Future Health Joint Venture in the current financial year.

The Company has met its joint venture commitment for 2005 and on the first anniversary, being 24 September 2005, the Company has the option to invest a further $100,000 to maintain its 50% interest. The Company intends not to exercise this option and its interest will reduce to 10%.

The Company is also assessing other opportunities in the health, fitness and lifestyle industry for growth and revenue potential to complement the existing business. These opportunities may be by way of direct investment, joint venture or staged investment based on the project meeting agreed hurdles or milestones. If no complementary opportunities are identified then the Directors reserve the right to allocate capital towards other business sectors. In the event that a major acquisition is identified, the Company will seek shareholder approval to change the nature and scale of its activities. At this stage, the Directors have not identified any other business sector.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2005 and the number of meetings attended by each director (while they were a director).

	Board Meetings Number held	Board Meetings Number attended
David Steinepreis	8	8
Gary Steinepreis	8	7
Hugh Warner	8	7

DIRECTORS' REMUNERATION

The Board is responsible for making recommendations on remuneration packages and policies applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Directors' remuneration is arrived at after consideration of the level of expertise each director brings to the company, the time and commitment required to efficiently and effectively perform the required tasks and after reference to payments made to directors' in similar positions in other companies.

There are no contracts with directors and no specified executives other than the directors.

DIRECTORS' REMUNERATION

	Primary		Post-employment	
DIRECTORS	Consulting Fees $	Base Salary $	Superannuation $	Total $
David Steinepreis	55,000 (2)	-	-	55,000
Hugh Warner	-	50,459	4,541	55,000
Gary Steinepreis	55,000 (1)	-	-	55,000

Notes

(1) LeisureWest Consulting Pty Ltd is an entity associated with Gary Steinepreis.
(2) Ord Street Services is an entity associated with David Steinepreis.

DIRECTORS' INTERESTS

	Relevant Interest in Securities at the date of this Report	
	Ordinary Shares [1]	Options [2]
David Steinepreis	20,400,000	20,000,000
Hugh Warner	22,351,332	20,000,000
Gary Steinepreis	21,850,000	20,000,000

Notes

(1) "Ordinary Shares" means fully paid ordinary shares in the capital of the Company.
(2) "Options" means an option to subscribe for 1 Ordinary Share in the capital of the Company on or before 31 December 2007. Options carry no rights to dividends and no voting rights. These options were issued as part of the recapitalisation proposal and are not part of remuneration.
(3) Each of the directors have a relevant interest in the shares and options held by Ascent Capital Pty Ltd, an entity of which they are directors and 1/3 shareholders.

DIRECTORS' REPORT (continued)

SHARE OPTIONS

At the date of this report, the following options have been granted over the unissued capital of M Health Limited:

Unlisted 40 cent Options exercisable on or before 31 December 2005, granted on 6 October 2003	1,666,667
Unlisted 1 cent Options exercisable on or before 31 December 2007, granted on 7 September 2004	30,000,000
Total Options on Issue	**31,666,667**

There were no options exercised or expired during the period.

DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the 2005 financial year and no dividend has been paid during the financial year (2004: Nil).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year other than as described elsewhere in this Directors' Report.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the end of the financial year, the Company has not indemnified or entered into any agreement to indemnify, or paid or agreed to pay any insurance premiums on behalf of the Director's or auditors of the Company against a liability incurred as such by an officer or auditor.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

There were no non-audit services were provided by Deloitte during the year.

Details of the auditor's remuneration is contained in Note 13 of the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of M Health Limited with an independence declaration in relation to the audit for the financial year. This independence declaration forms part of the Directors' Report and is included on page 7.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

G Steinepreis

Gary Steinepreis
Director
West Perth
29 September 2005

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
M Health Limited
Level 1
33 Ord Street
WEST PERTH WA 6005

29 September 2005

Dear Board Members

M Health Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of M Health Limited.

As lead audit partner for the audit of the financial statements of M Health Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PETER McIVER
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	*Parent Entity*		*Consolidated Entity*
		2005	*2004*	*2004*
		$	*$*	*$*
Gain on debt defeasance		**202,838**	-	-
Revenue from ordinary activities	2	**32,263**	17,750	1,534,986
Cost of sales		**-**	-	(259,040)
Salaries and employee benefits expense		**(55,000)**	(33,608)	(914,225)
Goodwill written off to recoverable amount		**-**	-	(2,201,068)
Assets written down to recoverable amount		**-**	(5,258,287)	(2,494,414)
Advisors costs		**(62,050)**	(400,000)	(400,000)
Head office costs		**-**	-	(3,225,542)
Corporate management services		**(160,000)**	-	-
Legal fees		**(36,498)**	-	-
Public company expenses		**(51,546)**	-	-
Serviced office costs		**(24,360)**	-	-
Other expenses from ordinary activities		**(55,209)**	(96,151)	(566,116)
Gain (loss) on deconsolidation of controlled entities		**-**	-	2,755,123
Joint venture expenditure		**(87,908)**	-	-
Cost of external administration		**(9,682)**	-	-
Payment for deed of company arrangement		**(510,000)**	-	-
Loss from ordinary activities before income tax expense	3	**(817,152)**	(5,770,296)	(5,770,296)
Income tax expense	4	**-**	-	-
Net loss		**(817,152)**	(5,770,296)	(5,770,296)
Total changes in equity other than those resulting from transactions with owners as owners		**(817,152)**	(5,770,296)	(5,770,296)
Basic loss per share (cents)	11	**(0.36)**	(12.4)	(12.4)
Diluted loss per share (cents)	11	**(0.36)**	(12.4)	(12.4)

Note:

The Company was under the control of an external administrator from 19 January 2004 to 8 July 2004 as part of a deed of company arrangement which involved a reconstruction and recapitalisation. The Company lost control of its subsidiary, The Metabolism Centre Pty Ltd on 19 January 2004 and ceased to be a consolidated entity on this date.

The above statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	Parent Entity		Consolidated Entity
		2005	2004	2004
		$	$	$
CURRENT ASSETS				
Cash assets		**743,656**	9,682	9,682
TOTAL CURRENT ASSETS		**743,656**	9,682	9,682
CURRENT LIABILITIES				
Payables	5	**26,464**	202,838	202,838
TOTAL CURRENT LIABILITIES		**26,464**	202,838	202,838
NET ASSETS (LIABILITIES)		**717,192**	(193,156)	(193,156)
EQUITY				
Contributed equity	6	**7,304,640**	5,577,140	5,577,140
Accumulated losses	7	**(6,587,448)**	(5,770,296)	(5,770,296)
TOTAL EQUITY		**717,192**	(193,156)	(193,156)

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Parent Entity 2005 $	Parent Entity 2004 $	Consolidated Entity 2004 $
Cash flows from operating activities				
Proceeds from programmes sold		-	-	1,661,940
Other revenue receipts		-	28,416	-
Payments to suppliers and contractors		**(397,347)**	-	(4,877,818)
Staff Costs		**(30,534)**	-	-
Contribution to joint venture expenses		**(87,908)**	-	-
Interest received		**32,263**	4,071	4,071
Net cash flows provided by (used in) operating activities	10(b)	**(483,526)**	32,487	(3,211,807)
Cash flows from investing activities				
Payments for set-up costs		-	-	(445,340)
Payments for property, plant & equipment		-	-	(713,959)
Loans to controlled entities		-	(4,440,553)	-
Cash relinquished on loss of control of subsidiary		-	-	(36,960)
Net cash flows provided by (used in) investing activities		-	(4,440,553)	(1,196,259)
Cash flows from financing activities				
Proceeds from issue of shares and options		**1,750,000**	2,800,000	2,800,000
Payment for deed of company arrangement		**(510,000)**	-	-
Capital raising expenses		**(22,500)**	(698,535)	(698,535)
Proceeds from borrowings		-	1,147,316	1,147,316
Net cash flows provided by (used in) financing activities		**1,217,500**	3,248,781	3,248,781
Net increase/(decrease) in cash held		**733,974**	(1,159,285)	(1,159,285)
Cash at beginning of financial year		**9,682**	1,168,967	1,168,967
Cash at end of financial year	10(a)	**743,656**	9,682	9,682

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial report is prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those of the previous year.

(a) Plant and Equipment

Plant and equipment is carried at cost less, wh ere applicable, any accumulated depreciation or amortisation.

Depreciation is calculated on a reducing balance or straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the Company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:-

Plant and equipment	2 – 15 years

Where items of property, plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of property, plant and equipment to which they relate.

(b) Income Tax

Income tax has been calculated using the liability method of tax effect accounting whereby income tax expense/benefit for the year is calculated on pre-tax accounting profit or loss after adjusting for permanent differences.

The tax effect of timing differences which arise from the recognition of revenue and expenses in years different from those in which they are assessable or deductible for income tax purposes are represented as "deferred tax assets" or "deferred tax liabilities" at current tax rates.

Deferred tax assets in relation to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Deferred tax assets in relation to tax losses are not brought to account unless the realisation of the asset is virtually certain.

(b) Revenue Recognition

Revenue from the sale of goods is recognised when control of the goods has passed to the buyer, the amount of revenue can be measured reliably and it is probable that it will be received by the Company.

(c) Cash

For purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to day basis, net of outstanding bank overdrafts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is revalued to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. Any reductions in the recoverable amount are recognised as an expense in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted.

(e) Receivables

Trade receivables, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest less any allowance for doubtful debts.

(f) Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured.

(g) Borrowing Costs

Borrowing costs are recognised as expenses in the year in which they are incurred, except where they are included in the costs of the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use/sale. In this case, the borrowing costs are capitalised as part of the cost of the asset.

(h) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(i) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(k) Investments

Investments in controlled entities are recorded at cost.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(l) Change of name

The Company changed its name from Metabolism Health Limited to M Health Limited on 9 July 2004 and the Company was removed from external administration on 8 July 2004.

2. REVENUE FROM ORDINARY ACTIVITIES

	Parent Entity		*Consolidated Entity*
	2005	*2004*	*2004*
	$	*$*	*$*
Operating revenue			
Proceeds from programmes sold	-	-	1,510,855
Interest received/receivable	**32,263**	4,071	4,071
Other	-	13,679	20,060
Non-operating revenue			
Gain on debt defeasance	**202,838**	-	-
	235,101	17,750	1,534,986

3. EXPENSES FROM ORDINARY ACTIVITIES

(a) Expenses			
Cost of sales	-	-	(259,040)
Salaries and employee benefits expense	**(55,000)**	-	-
Asset written down to recoverable amount	-	(5,258,287)	(2,494,414)
Corporate management and advisor costs	**(222,050)**	-	-
Depreciation	-	-	(60,700)
Operating lease payments	-	-	(204,029)
Joint venture expenditure	**(87,908)**	-	-
Payment for deed of company arrangement	**(510,000)**	-	-
Goodwill written off to recoverable amount	-	-	(2,201,068)
Gain (loss) on deconsolidation of controlled entities	-	-	2,755,123

3. EXPENSES FROM ORDINARY ACTIVITIES (continued)

(b) Prior year – Acquisition and Loss of control of controlled entities

During the financial year the Company made an offer, conditional upon capital raising and shareholder approval for The Metabolism Centre Pty Ltd. Shareholders approved this tansaction on 6 October 2003.

Acquisition of business

Name of business acquired	Principal activity	Date of control	Proportion of shares acquired %	Cost of acquisition $
The Metabolism Centre Pty Ltd (TMC)	Provision of health care equipment and services	1 July 2003	100%	800,800

On 21 November 2003, the Company completed the acquisition of The Metabolism Centre Pty Ltd after raising $2,000,000 in funds raised pursuant to a Prospectus. The Company incurred significant trading losses and was placed under the control of an Administrator on 19 January 2004. The Metabolism Centre Pty Ltd was subsequently placed into liquidation.

The assets of the consolidated entity and the company were written down to recoverable amount and aggregate gain to the consolidated entity on deconsolidation was $2,755,123.

At a meeting of creditors held on 1 April 2004, the Administrator proposed to the creditors of the Company that it was in the best interests of creditors to enter into a deed of company arrangement. At this meeting, creditors voted in favour of the Company entering into a deed of company arrangement with Ascent Capital Pty Ltd (**Ascent Capital**) so that Ascent Capital could recapitalise the Company (**Recapitalisation Proposal**). On 4 April 2004, the deed of company arrangement was executed by the relevant parties (**Deed of Company Arrangement**) and nominees of Ascent Capital being David Steinepreis, Hugh Warner and Gary Steinepreis were appointed Directors of the Company on 16 April 2004.

The Deed of Company Arrangement, subject to conditions being met, required that an amount of $510,000, certain assets and rights to the benefit of the Company be made available for the satisfaction of the claims of creditors and to meet the costs of the Administrator and Deed Administrator, and to acquire all intellectual property and certain assets from The Metabolism Centre Pty Ltd (TMC). The intellectual property and certain assets of TMC were assigned a fair value of nil.

The proposal from Ascent Capital required members in General Meeting to vote on and pass resolutions to give effect to the recapitalisation proposal.

The shareholders approved all of the resolutions on 7 July 2004 and the Company changed its name from Metabolism Health Limited to M Health Limited and was subsequently removed from administration on 8 July 2004. On removal from administration the remaining assets of the company at that date were assigned to the Trustee of Creditors and the terms of the Deed of Company Arrangement, and all debts payable by, and claims against the company (actual or contingent), arising before the date of appointment of the administrator, were extinguished. The Company subsequently raised $1,750,000 in funds pursuant to a Prospectus, resulting in net funds raised of $1,240,000 after the deduction of the $510,000 payment to the Administrators. The Company's securities were reinstated to trading on the Official List of the Australian Stock Exchange on 24 September 2004.

4. INCOME TAX

(a) The prima facie income tax expense on pre-tax accounting profit or loss reconciles to the income tax expense or benefit in the financial statements as follows:

	Parent Entity		*Consolidated Entity*
	2005	***2004***	***2004***
	$	***$***	***$***
Operating loss before tax	**(817,152)**	(5,770,296)	(5,770,296)
Income tax at 30%	**(245,146)**	(1,731,089)	(1,731,089)
Tax effect of permanent differences:			
Assets written down to recoverable amount	**-**	1,577,486	748,324
Payment for deed of company arrangment	**153,000**	-	-
Gain on debt defeasance	**(60,851)**	-	-
Goodwill written off to recoverable amount	**-**		660,321
Non deductible expenses	**-**	-	-
Loss (gain) on deconsolidation	**-**	-	(826,537)
Income tax adjusted for permanent differences	**(152,997)**	(153,603)	(1,148,981)
Income tax benefits not recognised	**152,997**	153,603	1,149,981
	-	-	-

(b) Future income tax benefits arising from tax losses not brought to account at balance date as realisation of the benefit is not regarded as virtually certain:

Tax losses – calculated using a tax rate of 30%	**152,997**	-	-

As a result of the recapitalisation of the Company as approved by shareholders on 7 July 2004 it is unlikely that the Company will be able to deduct any tax losses incurred by the Company prior to that date. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

5. PAYABLES

	Parent Entity		*Consolidated Entity*
	2005	***2004***	***2004***
	$	***$***	***$***
Trade payables and accruals	**26,464**	202,838	202,838

6. CONTRIBUTED EQUITY

	Company 2005 No.	Company 2004 No.	Company 2005 $	Company 2004 $
(a) Issued and paid up capital				
Ordinary shares fully paid	272,616,768	55,233,447	7,303,840	5,576,340
Converting preference shares	2,006	4,000	800	800
Total issued and paid up capital			7,304,640	5,577,140
(b) Movements in ordinary shares on issue				
Balance at beginning of the period	55,233,447	1,389,462,857	5,576,340	29,002,404
Issued during the period:				
1 for 2 consolidation of ordinary shares	(27,616,679)	-	-	-
Shares issued at 0.25 cents each – 7 September 2004, as part of the recapitalisation proposal	50,000,000	-	125,000	-
Shares issued at 0.5 cents each – 7 September 2004, as part of the recapitalisation proposal	65,000,000	-	325,000	-
Shares issued at 1 cent each – 7 September 2004, as part of the recapitalisation proposal	130,000,000	-	1,300,000	-
Shares issued at 0.4 cents each – 7 August 2003	-	200,000,000	-	800,000
Shares issued to Bennelong Group Pty Ltd on conversion of loan – 6 October 2003	-	333,333,333	-	1,000,000
1 for 50 consolidation of ordinary shares	-	(1,884,299,323)	-	-
Less: Reduction in capital - Accumulated losses as at 30 June 2003 transferred to contributed equity	-	-	-	(27,874,845)
Shares issued at 20 cents each – 21 November 2003	-	10,000,000	-	2,000,000
Shares issued to acquire The Metabolism Centre Pty Ltd at 20 cents each – 21 November 2003	-	4,000,000	-	800,000
Shares issued to corporate advisors at 20 cents each – 21 November 2003	-	2,000,000	-	400,000
Shares issued to Jim Cowling on conversion of debt to equity at 20 cents – 21 November 2003	-	736,580	-	147,316
Less transaction costs	-	-	(22,500)	(698,535)
Balance at end of the period	**272,616,768**	**55,233,447**	**7,303,840**	**5,576,340**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(c) Converting Preference Shares (CPS)

	Company 2005 No.	Company 2004 No.	Company 2005 $	Company 2004 $
Movements in CPS on issue				
Balance at beginning of the period	4,000	-	800	-
Converting Preference Shares – 21 November 2003	-	200,000	-	800
1 for 50 consolidation of ordinary shares	-	(196,000)	-	-
1 for 2 consolidation of ordinary shares	(1,994)	-	-	-
Balance at end of the period	2,006	4,000	800	800

The CPS do not have any voting rights but are entitled to the payment of a dividend.

(d) Share options

During the period 30,000,000 unlisted options exercisable at 1 cent each on or before 31 December 2007 were issued as part of the recapitalisation proposal.

There were no options exercised during the period.

6. CONTRIBUTED EQUITY (continued)

At 30 June 2005 the Company has the following options on issue:

- 1,666,667 unlisted options at an exercise price of 40 cents each on or before 31 December 2005. These options were reconstructed as part of the recapitalisation proposal and relate to a conversion of debt to equity to Bennelong Group Pty Ltd; and
- 30,000,000 unlisted options exercisable at 1 cent each on or before 31 December 2007 issued as part of the recapitalisation proposal.

Options carry no rights to dividends and no voting rights.

	Parent Entity		*Consolidated Entity*
7. ACCUMULATED LOSSES	***2005***	***2004***	***2004***
	$	***$***	***$***
Balance at beginning of year	**(5,770,296)**	(27,874,845)	(27,874,845)
Reduction in capital	**-**	27,874,845	27,874,845
Net loss	**(817,152)**	(5,770,296)	(5,770,296)
Balance at end of year	**(6,587,448)**	(5,770,296)	(5,770,296)

8. REMUNERATION OF DIRECTORS' AND EXECUTIVES

The specified directors of M Health Limited during the year were:

2005

David C Steinepreis
Hugh D Warner
Gary C Steinepreis

2004

David C Steinepreis (appointed 16 April 2004)
Hugh D Warner (appointed 16 April 2004)
Gary C Steinepreis (appointed 16 April 2004)
James Cowling (appointed 23 September 2003, removed 16 April 2004)
Joseph Ohayon (appointed 23 September 2003, removed 16 April 2004)
David John (appointed 23 September 2003, removed 16 April 2004)
Mark Savage (resigned 23 September 2003)
Mark Pearce (resigned 23 September 2003)
Cale Carson (resigned 23 September 2003)

The Board is responsible for making recommendations on remuneration packages and policies applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Directors' remuneration is arrived at after consideration of the level of expertise each director brings to the company, the time and commitment required to efficiently and effectively perform the required tasks and after reference to payments made to directors in similar positions in other companies. There are no contracts with the directors.

8. REMUNERATION OF DIRECTORS' AND EXECUTIVES (continued)

2005

DIRECTORS	Primary Consulting Fees $	 Base Salary $	Post-employment Superannuation $	 Total $
David Steinepreis	55,000 (2)	-	-	55,000
Hugh Warner	-	50,459	4,541	55,000
Gary Steinepreis	55,000 (1)	-	-	55,000

Notes

(1) LeisureWest Consulting Pty Ltd is an entity associated with Gary Steinepreis.
(2) Ord Street Services is an entity associated with David Steinepreis.

Other than the specified directors, there are no other specified executives of the Company.

As disclosed in the 30 June 2004 financial report, no remuneration was paid or payable to the current directors for the year ended 30 June 2004. As a result of the external administration, the current directors have not been able to determine the full extent of the remuneration paid to former directors and related parties but would disclose the following information:

(a) the Board ratified the payment of an amount up to $55,000 to Apollo Group Pty Ltd, a company associated with Mr Pearce for work completed in connection with the acquisition of The Metabolism Centre Pty Ltd (TMC) and related capital raisings;
(b) service agreements were executed, effective 1 July 2003, with respect to the following:
  i. J Cowling - $150,000 per annum plus a car allowance of $20,000 per annum and statutory 9% superannuation plus a performance bonus of $50,000;
  ii. J Ohayon - $100,000 per annum plus a car allowance of $20,000 per annum and statutory 9% superannuation plus a performance bonus of $50,000;
  iii. D John - $100,000 per annum plus a car allowance of $20,000 per annum and statutory 9% superannuation plus a performance bonus of $50,000;
  iv. The performance bonus was only to be payable upon the EBITDA of TMC for 30 June 2004 being at least $2,000,000. As the EBITDA of TMC was not achieved, no amounts were paid or are payable.

Employee Numbers	**2005 Number**	**2004 Number**
Number of employees at end of financial year	1	3

9. RELATED PARTY DISCLOSURES

2005

Number of shares held by Directors at 30/6/2005 (directly and indirectly)

	Balance 30/6/04	Issue and allotment of shares	Net Change Other **	Balance 30/6/05
D Steinepreis	-	18,400,000	-	18,400,000 *
H Warner	1,332	22,350,000	-	22,351,332
G Steinepreis	-	21,850,000	-	21,850,000

* D Steinepreis acquired a further 2,000,000 shares subsequent to the end of the financial year.
** Net change other refers to shares purchased or sold during the financial year.

Notes
"Ordinary Shares" means fully paid ordinary shares in the capital of the Company. Fully paid ordinary shares carry one vote per share and carry the right to dividends. These shares were issued as part of the recapitalisation proposal and are not part of remuneration.

9. RELATED PARTY DISCLOSURES (continued)

Number of options held by Directors (directly and indirectly)

	Balance 30/6/04	Issue and allotment of shares	Net Change Other **	Balance 30/6/05
D Steinepreis	-	20,000,000	-	20,000,000
H Warner	-	20,000,000	-	20,000,000
G Steinepreis	-	20,000,000	-	20,000,000

** Net change other refers to options purchased or sold during the financial year.

Notes
"Options" means an option to subscribe for 1 Ordinary Share in the capital of the Company on or before 31 December 2007. Options carry no rights to dividends and no voting rights. These options were issued as part of the recapitalisation proposal and are not part of remuneration.

2004

Number of shares held by Directors (directly and indirectly) – no shares are held nominally

	Balance 1/7/03	Balance after Consolidation of Shares *	Issue and allotment of shares	Net Change Other **	Balance 30/6/04
D Steinepreis	-	-	-	-	-
H Warner	-	-	1,332	-	1,332
G Steinepreis	-	-	-	-	-
J Cowling	-	-	1,347,626	-	1,347,626
J Ohayon	-	-	611,046	-	611,046
D John	-	-	666,667	-	666,667
M Savage	232,090,100	4,641,802	-	(2,000,000)	2,641,802
M Pearce	28,600,000	715,000	-	(715,000)	-
C Carson	-	-	-	-	-

* On 13 October 2003, the ordinary shares of the Company were consolidated on a 1:50 basis.
** Net change other refers to shares purchased or sold during the financial year.

Director Related Transactions

2005

Ord Street services a company associated with David Steinepreis provided office accommodation for the Company during the period and charged rent of $36,300 (2004: nil).

Ascent Capital Pty Ltd, an entity associated with Gary Steinepreis, David Steinepreis and Hugh Warner, was paid an amount of $50,000 (2004: nil) during the period in relation to the recapitalisation proposal.

2004

Apollo Group Pty Ltd, a company of which Mr Pearce is a director and beneficial shareholder, provided a serviced office, administrative and secretarial services to the Company in relation to the preparation of financial reports, prospectuses, ASX reports and internal reports for a fee of $55,000.

Mr Jim Cowling was issued with 736,580 ordinary shares on the conversion of a debt of $147,316 on 21 November 2003.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

10. STATEMENT OF CASH FLOWS

	Parent Entity 2005 $	Parent Entity 2004 $	Consolidated Entity 2004 $
(a) Reconciliation of Cash			
Cash on hand	**743,656**	9,682	9,682

	Parent Entity 2005 $	Parent Entity 2004 $	Consolidated Entity 2004 $
(b) Reconciliation of net cash used in operating activities to operating loss after tax			
Operating loss after income tax	**(817,152)**	(5,770,296)	(5,770,296)
Payment for deed of company arrangement	**510,000**	-	-
Issue of shares to corporate advisors	-	400,000	400,000
Gain on debt defeasance	**(202,838)**	-	-
Depreciation	-	-	60,700
Loss (gain) on deconsolidation of controlled entities	-	-	(2,755,123)
Decrease/(increase) in receivables	-	5,241	5,241
Increase/(decrease) in payables and accrued expenses	**26,464**	152,189	152,189
Assets written down to recoverable amount	-	5,258,287	2,494,414
Goodwill written down to recoverable amount	-	-	2,201,068
Other	-	(12,934)	-
Net cash used in operating activities	**(483,526)**	32,487	(3,211,807)

(c) Financing Facilities

The consolidated entity does not have any financing facilities as at 30 June 2005 (2004: nil).

(d) Non Cash Transactions

Pursuant to shareholder approval, the Company issued 30,000,000 options to Ascent Capital Pty Ltd as part of the recapitalisation proposal. The options were issued for no cash consideration.

11. LOSS PER SHARE

The following reflects the loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share.

	Company 2005 $	Consolidated Entity 2004 $
Loss used in calculating basic and diluted loss per share	**(817,152)**	(5,770,296)

11. LOSS PER SHARE (continued)

	Number of shares	*Number of Shares*
Weighted average number of ordinary shares used in calculating basic loss per share	**226,301,700**	46,432,067
Weighted average number of ordinary shares used in calculating diluted earnings per share	**226,301,700**	46,432,067

No options were exercised during the year or to the date of this financial report and no options have been issued subsequent to the end of the financial year. The options on issue are not considered to be potential ordinary shares as the exercise price is less than the market price of ordinary shares. The number of options excluded from the weighted average number ordinary shares used in the calculation of diluted earnings per shares is 31,666,667.

12. SEGMENT INFORMATION

The Company has one business segment (primary) being a provider of proprietary services in the health, fitness and lifestyle industry and has one geographical segment being Australia.

13. REMUNERATION OF AUDITORS

	Parent Entity		*Consolidated Entity*
	2005	*2004*	*2004*
	$	*$*	*$*
Auditing financial report	**46,450**	26,000	26,000

14. FINANCIAL INSTRUMENTS

The Company does not engage in any significant transactions which are speculative in nature.

(a) Credit Risk Exposure

The credit risk on financial assets is generally the carrying amount, net of any allowances for doubtful debts.

(b) Interest Rate Risk Exposure

The exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates.

Financial assets and liabilities at 30 June 2005

			Fixed interest maturing in:			
2005	Average interest rate	**Floating interest rate $**	**1 year or less $**	**Over 1 year to 5 years $**	**Non-interest bearing $**	**Total $**
Financial assets						
Cash & deposits	**3.8%**	743,656				743,656
Other financial assets		-				
		743,656				743,656
Financial liabilities						
Trade and other payables		-			26,464	26,464
Net financial assets (liabilities)		743,656			26,464	717,192

14. FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities at 30 June 2004

			Fixed interest maturing in:			
2004	Average interest rate	Floating interest rate $	1 year or less $	Over 1 year to 5 years $	Non-interest bearing $	Total $
Financial assets						
Cash & deposits	3.5%	9,682				9,682
Receivables		-				-
		9,682				9,682
Financial liabilities						
Trade and other payables		-			202,838	202,838
Net financial assets (liabilities)		9,682			202,838	(193,156)

(c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

15. SIGNIFICANT EVENTS AFTER BALANCE DATE

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

16. COMMITMENTS AND CONTINGENT LIABILITIES

The Company does not have any contingent liabilities

The Company has a commitment to the Future Health Joint Venture as detailed below in Note 17.

17. OWNERSHIP INTEREST IN JOINT VENTURE

The Company has continued its business as a provider of proprietary services in the health, fitness and lifestyle industry. The Company holds a 50:50 interest in the Future Health Joint Venture with Calchek Pty Ltd, an unrelated party. Calchek Pty Ltd and its partners offers other services to clients and the Future Health Joint Venture relates only to the tests identifying the presence of metabolic dysfunction and other causes of weight gain. The Company has no financial interest in, nor will it benefit from, the other service offerings of Calchek Pty Ltd or its partners and has not derived any revenue from the Future Health Joint Venture in the current financial year.

The Company has met its joint venture commitment for 2005 and on the first anniversary, being 24 September 2005, the Company has the option to invest a further $100,000 to maintain its 50% interest. The Company intends not to exercise this option and its interest will reduce to 10%.

The Company's share of expenditure of joint venture operations of $87,908 has been included in the appropriate item of the statement of financial performance.

The Joint Venture does not have any assets employed or any liabilities. The fair value of the intellectual property and other assets transferred from TMC have been assessed at nil.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

18. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Australian Accounting Standards Board (AASB) is adopting Australian equivalents to IFRS for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian equivalents to IFRS will be first reflected in the entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of Australian equivalents to IFRS. All adjustments required on transition to Australian equivalents to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Company is managing the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The Company Secretary reports to the Board, as required. The Company has analysed the Australian equivalents to IFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the Company.

Management has not yet reached a point where it is practical to provide reliable estimates of the financial effects of the transition to AIFRS however, there have been no material impacts identified which would require adjustment on the current year result and financial position of the company had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report. Users of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors to date, and, consequently, the likely impacts on the financial statements. The directors expect the management team to complete the transition process in the second quarter of the 2005/06 year.

The directors may, at any time until the completion of the consolidated entity's first A-IFRS compliant financial report, elect to revisit, and where considered necessary, revise the accounting policies.

Notes explaining the potential impacts on the financial statements:

(a) Share Based Payments
Under AASB 2, equity-settled share based payments in respect of equity instruments issued after 7 November 2002 that vested as at 1 January 2005 are measured at fair value at grant date. Management has elected to apply first-time adoption exemption available to M Health whereby a first-time adopter is encouraged, but not required, to apply AASB 2 to equity instruments that were granted after 7 November 2002 that vested before the later of the date of transition to Australian equivalents to IFRS and 1 January 2005. The adjustment to be made on transition to AIFRS has not yet been quantified.

(b) Income Taxes
Under AASB 112 *Income Taxes*, the Company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of adoption of this standard. The adjustment to be made on transition to AIFRS has not yet been quantified.

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

G Steinepreis

Gary Steinepreis
Director
West Perth
29 September 2005

Deloitte.

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Independent audit report to the members of M Health Limited

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for M Health Limited, for the financial year ended 30 June 2005 as set out on pages 7 to 20.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Deloitte.

Audit Opinion

In our opinion, the financial report of M Health Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter McIver
Partner
Chartered Accountants
Perth, 29 September 2005

ASX ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 23 September 2005

Distribution of security holders

Analysis of numbers of listed equity security holders by size of holding:

Category			Number of Shareholders
1	-	1,000	345
1,001	-	5,000	108
5,001	-	10,000	55
10,001	-	100,000	127
100,001	and over		130
			765

Number of shareholders holding less than a marketable parcel of ordinary shares:	604

Statement of Restricted Securities

Class	Number	Period of escrow
Ordinary	913,805	5 December 2005
CCPS-A	507	5 December 2005
CCPS-B	447	5 December 2005

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the Company are as follows:

Name	Number of equity securities
Ascent Capital Pty Ltd, David Steinepreis, Gary Steinepreis and Hugh Warner	43,900,000

4. UNQUOTED SECURITIES

The Company has the following unlisted options on issue:
31 December 2005 – 1,666,667 options

31 December 2007 - 30,000,000 options

Holders of more than 20% of each class of unlisted options

Bennelong Group Pty Ltd	31/12/05 – 40 cents	1,666,667
Ascent Capital Pty Ltd	31/12/07 – 1 cent	15,000,000

ASX ADDITIONAL INFORMATION

Voting rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

These securities have no voting rights.

On-Market Buy-Back

There is no current on-market buy-back.

Statement of Top 20 Shareholders

Rank	Name	Units	% of Issued Capital
1	BLUE MOUNTAIN ADVISORS LTD	12,448,210	4.57
2	CASTLE SPRINGS PTY LTD	10,900,000	4.00
3	BLUE MOUNTAIN ADVISORS LIMITED	10,600,000	3.89
4	MR RICHARD LYNN	10,500,000	3.85
5	ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	10,000,000	3.67
6	OCEAN VIEW WA PTY LTD	10,000,000	3.67
7	PARAMOUNT ADVISORS LIMITED	10,000,000	3.67
8	SAVANNAH GLOBAL LIMITED	9,750,000	3.58
9	ASCENT CAPITAL PTY LTD	9,350,000	3.43
10	PETERSVIEW PTY LTD	9,250,000	3.39
11	RUBY COMMERCIAL LIMITED	8,350,000	3.06
12	FLUE HOLDINGS PTY LTD	6,115,667	2.24
13	N&J MITCHELL HOLDINGS PTY LTD <MITCHELL UNIT A/C>	6,050,000	2.22
14	LEISUREWEST CONSULTING PTY LTD <LEISUREWEST A/C>	6,000,000	2.20
15	GERBEV NOMINEES PTY LTD	5,000,000	1.83
16	HOPETOUN NOMINEES PTY LTD <HOPETOUN A/C>	4,900,000	1.80
17	CLODENE PTY LTD	4,200,000	1.54
18	MR PAUL ROBERT HEARNE <THE PRH A/C>	4,010,004	1.47
19	FOPAR NOMINEES PTY LTD	4,000,000	1.47
20	MS JACQUELINE MARY STEINEPREIS	4,000,000	1.47
	Total	**155,423,881**	**57.02**

CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*.

In line with the above, the Board approved the adoption of a board charter on 30 June 2004. This charter sets out the way forward for the Company in its implementation of its Principles of Good Corporate Governance and Best Practice Recommendations. The approach taken by the board was to set a blueprint for the Company to follow as it introduces elements of the governance process. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the recommendations approved via the board charter. Where the Company has not adhered to the recommendations it has stated that fact in the annual report however has set out a mandate for future compliance when the size of the Company and the scale of its operations warrants the introduction of those recommendations.

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry its functions, it has developed a Code of Conduct to guide the Directors.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge it responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. There are currently no Non-Executive Directors, however the Company will appoint Non-Executive Directors at such time as it is considered appropriate.

An Independent Director:

1. is a Non-Executive Director and;
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for the purposes of points 1 to 9 above is determined on the basis of both quantitative and qualitative aspects with regard to the independence of directors. An amount over 5% of the Company's expenditure or 10% of the particular directors annual gross income is considered to be material. A period of more than six years as a director would be considered material when assessing independence.

Mr D C Steinepreis is an Executive Director and Chairman of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as Chairman.

Mr G C Steinepreis is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr H D Warner is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
2. Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: the development of the Company's strategic plan.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources: appointing, and, where appropriate, removing Executive Officers as well as reviewing the performance of Executive Officers and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- a copy of the Board Charter; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at $2,000), to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor 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 auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

- The Company has a Share Trading Policy which states that Directors, members of senior management, certain other employees and their associates likely to be in possession of unpublished price sensitive information may not trade in the Company's securities prior to that unpublished price sensitive information being released to the market via the ASX.

Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

1.4.10 Performance Review / Evaluation

It is the policy of the Board to conduct evaluation of its performance. The evaluation procedure was introduced via the Board Charter adopted on 30 June 2004. The objective of this evaluation will be to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the Board and its members was not formally carried out. To date, there has been no formal process put in place for performance evaluation. However, a general review of the Board and executives occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board and the Executive Directors and Company Secretary will make the required attestations.

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company, the Company does not have an Audit Committee. The full Board carries out the functions of the Audit Committee. The Board did not meet formally as the Audit Committee during the financial year however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues, however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

2.2.2 Remuneration Policy

Director Remuneration was approved by resolution of the Board on 6 August 2004.

2.2.2.1 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.3 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The full Board carries out the functions of the Nomination Committee. The Board did not meet formally as the Nomination Committee during the financial year however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board. It is the intention of the board during the course of the forthcoming year to establish a Nomination Committee that will meet on an as and when required basis.

2.3.2 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in:

- Accounting and financial management; and
- Director-level business experience.

3. Company Code Of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. The Company Code of Conduct was adopted by resolution of the Board on 30 June 2004. This Code includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its financial statements fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

The Company has an obligation to use its best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers and is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company policy is to endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources. As at the date of this report there are no employees who are not also directors.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers and competitors.

Responsibilities to the Community

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations

Responsibility to the Individual

The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Directors and Employees must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board of the Company is committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.