ParagonCare

2014 FINANCIAL REPORT

Paragon Care is a leading supplier of non-diagnostic, non-therapeutic durable medical equipment and furniture for the health and aged care markets. Over the past four years Paragon Care has acquired seven companies. Each one a leading provider of innovative healthcare and medical equipment.

LR Instruments and Richards Medical are the latest additions to the Paragon Care Group offering surgical instruments, diagnostic, air management and an extensive range of consumable medical products.

Our companies are all well known in the healthcare industry and are now growing together as one organisation offering a peerless range of high quality products and services.

The extent of our range positions us to be very active contributors to the planning of major healthcare projects.

Patient Stretchers
Mobile Surgical Units
Medical and Medication Carts
Screen Systems
IV Systems

Bedding Products
Mattresses
Furniture
Lifting Systems
Chair Systems

Shelving Systems
Service Carts
Refrigeration Systems
Mortuary Systems

World class acute care and aged care beds and furniture
The dignified care concept

Stainless steel equipment for acute and aged care markets

Surgical Instruments
Respiratory
CSSD and Surgical Products
Diagnostic
Medical Equipment

Contents

Corporate Directory

Directors

Shane F Tanner [Non-Executive Chairman]
Mark A Simari [Managing Director]
Michael C Newton [Non-Executive Director]
Brett A Cheong [Executive Director]

Company Secretary

Mark A Simari

Share Registry

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne, VIC 3000
Locked Bag A14,
Sydney South, NSW 1235
Telephone: 1300 554 474
Facsimile: 02 9287 303
linkmarketservices.com.au

Stock Exchange Listing

Australian Stock Exchange
Trading Code:
PGC - ordinary shares

Auditor

RSM Bird Cameron Partners
Level 21, 55 Collins Street
Melbourne, VIC 3000
rsmi.com.au

Bankers

Commonwealth Bank of Australia
Westpac Banking Corporation

Solicitors

SOHO Lawyers
Suite 804 / 365 Little Collins Street
Melbourne, VIC 3000

Paragon Care Limited
ABN 76 064 551 426

Registered Office
Unit 1, 56 Norcal Road
Nunawading, VIC 3131
Telephone: 1300 369 559
Telephone: +61 3 8833 7800
Facsimile: +61 3 8833 7890

Principal Business Office
Unit 17, 56 Norcal Road
Nunawading, VIC 3131
Telephone: 1300 369 559
Telephone: +61 3 8833 7800
Facsimile: +61 3 8833 7890

www.paragoncare.com.au

Chairman's Report

For the year ended 30 June 2014

Introduction
On behalf of the Board of Directors of Paragon Care Limited, I am pleased to present to you our 2014 Annual Report.

The Period in Review
The 2014 financial year has been a period of significant achievement with the successful acquisition and integration of the LR Instruments and Richards Medical consumables businesses. The Company improved its financial performance during 2014 with continued strength in our core durable goods products along with the fast start in the newly incorporated consumables portfolio. Despite an uncertain economic environment and increased funding pressures, Paragon Care has continued to demonstrate strong revenue and profit growth underpinned by year on year margin improvements.

Highlights of the consolidated results for the year ended 30th June 2014 included:

- Revenue of $19.4M, up 13.5% year on year.
- EBITDA was $1.78M, up more than 18% on 2013 EBITDA of $1.5M.
- Net Profit for 2014 finished at $1,085,000 compared to $740,000 in 2013.
- Cash Reserves ended the year at $2.8mil
- The successful acquisition of LR Instruments and Richards Medical which has expanded Paragon Care's range of product offerings and provides further exposure to hospital operating budgets.
- Agreement with the Westpac Banking Corporation's Healthcare division for a new $10m facility on favorable commercial terms. This will provide Paragon Care with a significant opportunity to develop and grow its business both organically and via further acquisitions

In 2014, Paragon Care Limited (PGC) continued to produce strong results against its core strategy of increasing its sales base via its own proprietary products. PGC achieved 15% year over year sales growth in proprietary products as a result of a solid performance in the Rapini and GM Medical portfolio. Products sourced from PGC's own product range now constitutes 45% of total sales, with the remaining sales sourced from suppliers concentrated in North America and Europe with exclusive distribution agreements.

The other pleasing aspect during 2014 was the continuous improvement program PGC set up during the previous years. Key results include:

- Leveraging the expertise acquired with LR Instruments and Richards Medical, the sales team has become a dynamic multifaceted team with the capability to supply best in class support to our diverse customer base.
- The organisation is well underway in centralising core activities with accounting, analytics, payroll and transactional processing all consolidated into one team on a single platform
- Cost reduction and productivity initiatives in the Lilydale factory continued in 2014 with positive results in quality and gross margins.

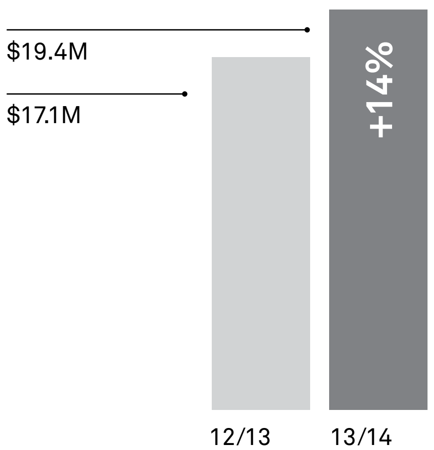
Outlook
The Board will continue to drive organic revenue and EBITDA growth throughout its complimentary suite of products for 2015 with increased focus on national key account expansion, geographical penetration and ongoing growth in the company's proprietary product range.

In addition to the above, the company at all times has a pipeline of acquisition targets identified that it will explore and where appropriate seek to secure to compliment the current core business of the company and expand the product offering to the market place.

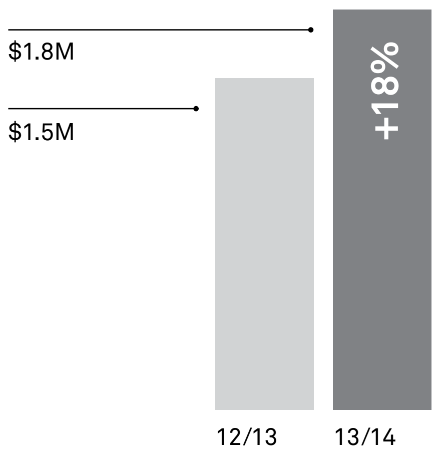
The Directors would like to thank all of our staff, shareholders, suppliers and customers for their ongoing loyalty and support during the past twelve months.

Shane Tanner
Chairman

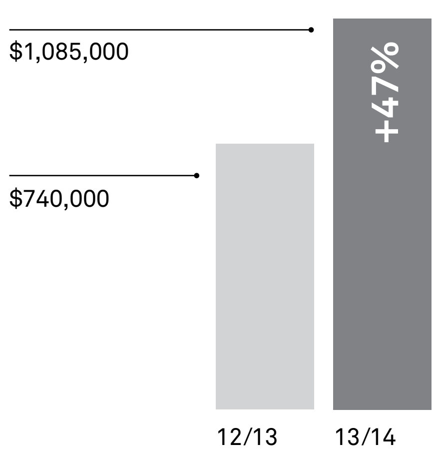
Revenue



EBITDA



Net Profit



Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Paragon Care Limited ("Company") and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The following persons were Directors of Paragon Care Limited during the whole of the financial year and up to the date of this report unless otherwise stated.

Mr Shane Tanner
Mr Mark Simari
Mr Michael Newton
Mr Brett Cheong

Principal Activities

The principal continuing activity of the Group is supply of durable medical equipment and consumable medical product to the health and aged care markets throughout Australia and New Zealand.

There were no significant changes in the nature of the activities of the Group that occurred during the year:

Operating Results and Review of Operations for the Year

Key financial highlights include:

	2013/14	2012/13
Revenue	$19.4M	$17.1M
EBITDA	$1.8M	$1.5M
Net Profit	$1,085,000	$740,000
Debt	$4.3M	$4.3M

The Group's performance improved considerably in the 2013-14 financial year compared with 2012-13. Revenue increased by 13.5% to $19.4 million whilst net profit improved from profit of $740,000 in 2012-13 to $1,085,000 for 2013-14.

The increase in revenue was due primarily to encouraging growth in the company's proprietary products particularly our Rapini and GM Medical range, along with the recent addition of our newly acquired consumable products portfolio.

Highlights for the year included:

- Successful integration of the LR Instruments and Richards Medical acquisition. The buy-in from staff has been relatively seamless and several marketing and stock related initiatives have been implemented to facilitate future growth in the business.
- The Volker Product Range once again experienced high levels of demand from both the acute and aged care markets.
- The Rapini brand continued to expand its market presence by establishing additional preferred supplier agreements with key healthcare providers, as well as, introduced innovative new products to the sector.
- GM Medical had a solid year with strong demand across the entire range of products. This was driven by a combination of continuous production efficiencies and the development of new product designs for the existing range.
- Agreement with the Westpac Banking Corporation's Healthcare division for a new $10m facility on favorable commercial terms. This will provide Paragon Care with a significant opportunity to develop and grow its business both organically and via further acquisitions

The Group continues to review all aspects of its operations, improve and strengthen its supply and sales chains, expand its product range and enhance its customer support.

The Group's broad high quality product base has excellent underlying growth potential, especially in view of the large number major hospital developments in the pipeline around Australia

Significant Changes in the State of Affairs

Contributed equity increased by $7,768,437 (from $15,040,385 to $22,808,822) as the result of a share placement to sophisticated and professional investors, shares issued pursuant to the company's dividend re-investment plan and shares issued in consideration for the release of an obligation to repay borrowings. Details of the changes in contributed equity are disclosed in note 17 to the financial statements.

The net cash received from the increase in contributed equity was used principally towards the acquisition of LR Instruments and Richards Medical and fund working capital.

Matters Subsequent to the end of Financial Year

No matter or circumstance has arisen since 30 June 2014 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

The Company's focus for the coming year will be to continue to implement its strategy to become one of Australia's leading providers of medical equipment and consumable products to the health and aged care sector throughout Australia and New Zealand. Leveraging the diverse product portfolio, Paragon Care will continue to penetrate high growth markets driven by the ageing of the population and continuously rising consumer expectations and increasing government spending.

The Company will continue to seek and attempt to secure suitable investments or businesses that are complimentary to its existing operations and further enhance its product and service offering to the health and aged care markets.

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 Regulations

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends Paid

In keeping with Directors confidence of Paragon Care, the directors have recommended the payment of a fully franked final dividend of $488,847 (0.75 cents per fully paid ordinary share) to be paid on 31st October 2014 in respect of the financial year ended 30 June 2014. The dividend will be paid to all shareholders on the register of members as at the Record Date of 10 October 2014. This dividend has not been included as a liability in these financial statements.

In March 2014, an interim dividend of 0.5 cents per share valuing $324,718 fully franked was paid. The record date was 14th March 2014 with the payment date of 31st March 2014.

Paragon Care also paid a fully franked maiden dividend of 1 cent per share with the value of $433,085 for the year ended 30 June 2013 on 31 October 2013.

The dividends attributable to June 30 2013 and the interim divided have been included in these financial statements.

Combined with the interim dividend of 0.50c per fully paid ordinary share paid in March 2014 in respect of the half year ended 31 December 2013, the full year dividend for 2014 will be 1.25c per fully paid ordinary share, a 25% increase on the full year dividend of 1c per fully paid ordinary share for the 2013 financial year.

Dividend Reinvestment Plan

Paragon Care operates a dividend reinvestment plan (DRP) that enables shareholders to elect to reinvest all, or up to a portion of, their dividends into additional shares in Paragon. The DRP was available for the interim dividend payable on 31st March 2014. Shares were issued at a discount of 5.0% to the volume weighted average market price of shares sold on the ASX over the 5 trading days immediately following the record date.

Information on Directors

The names of directors in office at any time during or since the end of the financial year are:

Mr Shane Tanner
Mr Mark Simari
Mr Michael Newton
Mr Brett Cheong

Directors have been in office since the start of the financial year to the date of this report (unless otherwise stated).

Directors' qualifications, experience, and responsibilities

Mr Shane F Tanner
Non-Executive Chairman, Age 61

Qualifications: FCPA, ACIS

Experience:
Currently Chairman of Vision Group Holdings Limited and Chairman of Funtastic Limited.

Appointed as a Director on 21 December 2005

Responsibilities:
Chairman of the Board
Chairman of the Remuneration Committee

Mr Mark A Simari
Managing Director, Age 45

Qualifications: B.Acc, Dip FS

Experience:
Former Director of DKN Financial Group Limited, former Director of Sage Capital Group Pty Ltd & Director of Garmak Enterprises Pty Ltd

Appointed as a Director on 13 February 2007 and Managing Director on 15 April 2007

Responsibilities:
CEO

Mr Michael C Newton
Non-Executive Director, Age 60

Qualifications:
B.App Sci., Grad Dip Bus Adm.

Experience:
Managing Director of Symex Limited from 1999 to 2007

Appointed as a Director on 22 June 2007

Responsibilities:
Member of the Remuneration Committee

Mr Brett A Cheong
Executive Director, Aged 55

Experience:
Founder and Managing Director of Axishealth May 2002 – June 2009 and with over 30 years experience in the durable medical equipment industry.

Appointed as a Director on 2 July 2009

Responsibilities:
Marketing Manager

Company Secretary

Mr Darryl P Levin
Company Secretary, Aged 56

Qualifications:
MBA, B.Com, CA, CPA

Experience:
Over 30 years experience in senior financial roles with a number of large public and private companies involved in a variety of industries

Appointed as CFO on 6 October 2009 and Company Secretary on 1 February 2010. Resigned from position February 2014.

Mr Mark A Simari
Company Secretary , Age 45

Qualifications: B.Acc, Dip FS

Experience:
Former Director of DKN Financial Group Limited, former Director of Sage Capital Group Pty Ltd & Director of Garmak Enterprises Pty Ltd

Appointed to position in February 2014.

Meetings of Directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each Director were:

	Directors' Meetings		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr S F Tanner	12	12	1	1
Mr M A Simari	12	12	-	-
Mr M C Newton	12	12	1	1
Mr B A Cheong	12	12	-	-

Remuneration Report
This remuneration report sets out remuneration information for Paragon Care's non-executive Directors, executive Directors, and other key management personnel.

Directors and key management personnel disclosed in this report

Name	Position
B A Cheong	Non-Executive and Executive Directors – see page 7
M C Newton	
M A Simari	
S F Tanner	

Other key management personnel

M G Rice	Chief Operating Officer
D P Levin	Chief Financial Officer (until February 2014)
M R Parker	Chief Financial Officer (April 2014 onwards)

Remuneration governance
The remuneration committee is a committee of the board. It is primarily responsible for making recommendations to the board on:

- The over-arching executive remuneration framework
- Remuneration levels of executive directors and other key management personnel, and
- Non-Executive Directors fees

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long term interests of the company.

The Corporate Governance Statement provides further information on the role of this committee.

Principles used to determine the nature and amount of remuneration.

Non-Executive Directors
The board's policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. Detail of the remuneration of each Non-Executive Director is shown below. The Chairman in consultation with independent advisors determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders in a General Meeting, and is currently $250,000 per annum. Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Non-Executive Directors' remuneration reflects the additional responsibilities each Director may take on from time to time. There are no termination benefits for Non-Executive Directors.

Directors' fees
The current Director's fees were last reviewed with effect from 1 July 2014. The following fees have applied:

Base Fees	From 1 July 2014	From 1 July 2013 to 30 June 2014
Chairman	$77,125	$70,125
Other Non-Executive Directors	$35,345	$33,665

Executive Pay
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, and conforms with market practice for delivery of reward. 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

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The remuneration committee is responsible for determining and reviewing compensation arrangements. The remuneration
- committee assess the appropriateness of the nature and
- amount of emoluments of company executives on a periodic
- basis by reference to relevant employment market conditions
- and capacity to pay with the overall objective of ensuring
- maximum stakeholder benefit from the retention of a high quality Board and executive team. Remuneration packages are set at levels that attract and retain executives capable of managing the Company's operations. Remuneration and other terms of employment for the Managing Director and executives have been formalised in service agreements.

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

The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of remuneration and service agreements
Service Agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of Director.

Remuneration and other terms of employment for Executive Directors and other senior executives and key management are also formalised in service agreements.

Company share performance & Shareholder wealth and Director & Executive remuneration

In considering Non-Executive Director and executive remuneration the Directors take into consideration the

Company's share performance and shareholder wealth creation. During the financial year the Company's share price traded between a low of 22.5¢ and a high of 48.5¢. As at 30 June 2014 the, Company's share price (ASX: PGC) was 26.0¢ per share.

PGC Share Performance

Year Ended	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Price High ¢	3.5	3.9	5.0	43.5	43.5	48.5
Price Low ¢	2.0	2.0	2.5	19.5	17.0	22.5
Price 30 June ¢	2.2	2.8	4.0	19.5	30.5	26.0
Earnings ¢ per share	(0.3)	0.1	0.3	(0.2)	1.7	2.0
Dividends ¢	Nil	Nil	Nil	Nil	Nil	1.0
Dividends ¢ (interim)	Nil	Nil	Nil	Nil	Nil	0.5
Net Asst $' million	3.13	3.35	5.05	6.45	10.37	18.23

Major provisions of the agreements as at 30 June 2014 relating to remuneration are set out below:

Name	Term of Agreement	Base salary including superannuation	Termination benefit
Non-Executive Directors			
Mr S F Tanner Non-Executive Chairman	No fixed term	$70,125	No termination benefit
Mr M C Newton Non-Executive Director	No fixed term	$33,665	No termination benefit
Executive Directors			
Mr M A Simari Executive Director / CEO	1 July 2011 to 30 June 2013 *	$220,000 ** (consultancy package)	6 months consultancy fee
Mr B A Cheong Executive Director / Marketing Manager	No fixed term	$144,000 (consultancy package)	No termination benefit
Other key management personnel			
Mr Matthew Parker Chief Financial Officer (Appointed April 2014)	No fixed term	$180,000	No termination benefit
Mr Michael Rice Chief Operating Officer	No fixed term	$219,853	No termination benefit
Mr Darryl Levin Chief Financial Officer (Resigned February 2014)	No fixed term	$179,171	No termination benefit

* Either party may terminate the agreement by giving six months notice. The Consultancy Agreement was renewed effective 1 July 2014 for a further two year period.

** Performance Bonus - The Consultancy Agreement provides for a bonus to be payable upon achieving performance criteria set in agreement with the Chairman. No performance criteria were set and no bonus paid in the year to 30 June 2014.

Emoluments of Directors, executive officers and other executives of the Company:

2014	Short-term employee benefits			Post employment benefits	Long term benefits	Share based payments	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Long service leave	Options	Total
	$	$	$	$	$	$	$
Non-Executive Directors							
Mr S F Tanner	70,125	-	-	-	-	-	70,125
Mr M C Newton	33,665	-	-	-	-	-	33,665
Executive Directors							
Mr M A Simari	190,921	-	29,079	-	-	-	220,000
Mr B A Cheong	144,000	-	-	-	-	-	144,000
Other key management personnel							
Mr M R Parker	41,190	-	-	3,810	-	-	45,000
Mr M G Rice	180,000	-	23,203	16,650	-	-	219,853
Mr D P Levin	145,496	-	12,568	21,106	-	-	179,171
Total	788,747	-	64,851	41,566	-	-	911,814

2013	Short-term employee benefits			Post employment benefits	Long term benefits	Share based payments	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Long service leave	Options	Total
	$	$	$	$	$	$	$
Non-Executive Directors							
Mr S F Tanner	68,640	-	-	-	-	-	68,640
Mr M C Newton	33,000	-	-	-	-	-	33,000
Executive Directors							
Mr M A Simari	159,599	-	35,401	-	-	-	195,000
Mr B A Cheong	120,000	-	-	-	-	-	120,000
Other key management personnel							
Mr D P Levin	141,615	-	17,015	23,735	-	-	182,365
Mr M G Rice	125,694	-	22,863	12,431	-	-	160,988
Mr C Pearson	67,696	-	8,494	2,783	347	-	79,319
Total	716,244	-	83,773	38,949	347	-	839,312

The elements of emoluments have been determined on the basis of the cost to the Company.

Except as detailed in the Remuneration Report or below, no Director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and shown in the Remuneration Report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Company.

Directors' interest in contracts with the Company
There are no material contracts involving Directors' interests at the end of the financial year nor have any been entered into since the end of the previous financial year not otherwise disclosed in this report.

The Paragon Healthcare business leases premises from Mr Brett Cheong and Mrs Lynn Cheong, Mr Cheong being a Director of the Company. The lease runs for 3 years from 1 January 2013 with an option for one further term of three years. The rent paid is on commercial terms and the directors consider Mr Cheong's association with the arrangement is on arm's-length terms and conditions. The total rent payable to Mr and Mrs Cheong by the Company for the year ended 30 June 2014 was $168,850.

Directors' interests
As at the date of this report the interests of the Directors held either directly or through entities they control, in the securities of the Company are as follows:

	Fully paid ordinary shares (PGC)
Mr S F Tanner	502,867
Mr M A Simari	1,416,914
Mr M C Newton	198,128
Mr B A Cheong	2,833,207

The Directors of the Company are encouraged to hold shares in the Company and are permitted to trade in the Company's securities consistent with the Company's securities trading policy (refer Corporate Governance Report). All Directors sign an agreement with the Company in which they undertake to advise the Company whenever they or a related party trades in the Company's securities.

It is the Company's policy that Directors and Executives of the Company are required to seek the prior written approval of the Board before entering into hedging arrangements in respect to their holdings of company equity instruments.
The Executive or Director must provide full details of any such hedging arrangements for consideration by the Board. The Board will consider each approach for approval on its merits, taking into account the size of the holding, the level of exposure, the repayment requirements and the impact any adverse market conditions may have on the capital structure of the company.

Indemnification and Insurance of Directors and Officers
During the financial year the Company has paid premiums to insure all the Directors and Officers against liabilities for costs and expenses incurred by them in defending any claims arising out of their conduct while acting in the capacity of Director of the Company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors and officers indemnity
The Company has entered into an Indemnity Deed with each of the Directors which will indemnify them against liability incurred to a third party (not being the Company or any related company) where the liability does not arise out of the conduct involving a lack of good faith. The Indemnity Deed will continue to apply for a period of 10 years after a Director ceases to hold office. There is also a Directors' Access and Insurance Deed with each of the Directors pursuant to which a Director can request access to copies of documents provided to the Director whilst serving the Company for a period of 10 years after the Director ceases to hold office. There will be certain restrictions on the Directors' entitlement to access under the deed.

Proceedings on behalf of company
No person has applied for leave of the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or 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 any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the court. The Company was not a party to any such proceedings during the year under section 237 of the Corporations Act 2001.

Auditor

RSM Bird Cameron was appointed Company auditor on 27 November 2009 and will continue in office in accordance with section 327 of the Corporations Act 2001. Pursuant to section 324 DAB of the Corporations Act 2001, the Board of Paragon Care approved that Robert Miano, a partner of RSM Bird Cameron Partners may continue to play a significant role in the audit of the company for a further 2 years until the financial year ended 30 June 2016.

Reasons for the extension include continuity of knowledge and experience that Robert has accumulated over the years, as well as, key relationships formed during this period' is considered a material benefit to maintaining the quality of audit work for a further period covering the two financial years ending 30 June 2015 and 2016.

The Board is satisfied that the extension of the auditor rotation period is consistent with maintaining the quality of the audit and would not give rise to conflict of interest situation. RSM Bird Cameron Partners has agreed to extend the above extension.

Non-Audit Services

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

The Board of Directors has considered the position and is satisfied that the provision of the non audit services listed below is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

	2014 $	2013 $
Audit Services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	71,105	72,000
Non audit services		
Taxation services	16,350	31,000
Other 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 13.

Signed in accordance with a resolution of the Directors:

S F Tanner
Chairman
28th August 2014

RSM Bird Cameron Partners

RSM Bird Cameron Partners
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 3 9286 8000 F +61 3 9286 8299
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Paragon Care Limited for the year ended 30 June 2014, 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 audit; and

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

R B MIANO
Partner

Melbourne, Victoria
Dated: 28 August 2014

Financial Statements

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from continuing operations			
Revenue	3	19,416,931	17,096,447
Cost of sales		(10,369,847)	(9,455,211)
Gross profit		**9,047,084**	**7,641,236**
Other income	4	23,596	20,513
Operating costs		(1,665,378)	(1,596,103)
Corporate costs		(150,216)	(236,794)
Finance costs		(418,319)	(543,969)
Selling and distribution		(164,167)	(205,557)
Employee and consultants costs (incl. directors fees and remuneration)		(5,558,191)	(4,373,153)
Profit/(loss) before tax		1,114,409	706,173
Income tax expense	7	(29,518)	33,430
Profit/(loss) from continuing operations		1,084,891	739,603
Other Comprehensive Income			
Items that may be reclassified to Profit or Loss			
Gain (Loss) on cash flow hedges		(256,736)	209,307
Other comprehensive income for the year, net of tax		(256,736)	209,307
Total comprehensive income for the year		828,155	948,910
Profit for the period attributable to:			
Owners of the parent		1,084,891	739,603
		1,084,891	739,603
Total comprehensive income for the year attributable to:			
Owners of the parent		828,155	948,910
		828,155	948,910
Earnings per share			
Basic (cents per share)	24	2.0	1.7
Diluted (cents per share)	24	2.0	1.7

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current assets			
Cash and cash equivalents	8	2,820,379	2,511,477
Inventories	9	5,070,913	3,069,307
Trade and other receivables	10	4,064,529	3,089,144
Other financial assets	11	-	142,798
Total current assets		11,955,821	8,812,726
Non-current assets			
Plant and equipment	12	618,494	739,458
Deferred Tax Assets	7	776,011	459,055
Intangibles	13	13,600,386	8,378,050
Total non-current assets		14,994,891	9,576,563
TOTAL ASSETS		**26,950,713**	**18,389,289**
LIABILITIES			
Current liabilities			
Trade and other payables	14	3,605,759	3,274,412
Interest bearing liability	15	850,782	1,671,919
Other financial liabilities	11	113,938	-
Provision for Income Tax	7	170,837	1,469
Provisions	16	500,520	366,408
Total current liabilities		5,241,835	5,314,207
Non-current liabilities			
Interest bearing liability	15	3,454,238	2,661,890
Provisions	16	46,374	43,716
Total non-current liabilities		3,500,613	2,705,606
TOTAL LIABILITIES		**8,742,448**	**8,019,813**
NET ASSETS		**18,208,265**	**10,369,476**
EQUITY			
Contributed equity	17	22,808,822	15,040,385
Reserves	18	(113,938)	142,798
Accumulated losses		(4,486,619)	(4,813,707)
TOTAL EQUITY		**18,208,265**	**10,369,476**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital $	Currency hedge reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2012	12,065,884	(66,509)	(5,553,309)	6,446,067
Profit / (loss) for the year	-	-	739,603	739,603
Gain / (loss) on cash flow hedge	-	209,307	-	209,307
Total comprehensive income for the year	-	209,307	739,603	948,910
Issue of share capital	2,974,501	-	-	2,974,501
Balance at 30 June 2013	15,040,385	142,798	(4,813,707)	10,369,476
Balance at 1 July 2013	15,040,385	142,798	(4,813,707)	10,369,476
Profit / (loss) for the year	-	-	1,084,891	1,084,891
Gain / (loss) on cash flow hedge	-	(256,736)	-	(256,736)
Total comprehensive income for the year	-	(256,736)	1,084,891	828,155
Transfer of reserve to accumulated losses		-	-	
Issue of share capital	7,768,437	-	-	7,768,437
Dividend issued in the year	-	-	(757,803)	(757,803)
Balance at 30 June 2014	22,808,822	(113,938)	(4,486,619)	18,208,265

The above Consolidated Statement of Changes of Equity should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		18,411,697	16,791,668
Payments to suppliers and employees		(20,134,857)	(15,451,033)
Interest and other items of similar nature paid		(420,457)	(646,077)
Interest received		61,799	30,985
Income taxes paid		(3,872)	-
Net cash provided by / (used in) operating activities	8(b)	(2,085,690)	725,543
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(3,539,767)	-
Proceeds from sale of business		-	-
Proceeds from sale of plant and equipment		93,527	68,386
Payment for plant and equipment		(191,569)	(181,933)
Payment for development of website / software		(35,923)	(10,785)
Net cash provided by / (used in) investing activities		(3,673,732)	(124,332)
Proceeds from borrowings		1,686,277	114,680
Repayment of borrowings		(1,351,161)	(2,397,459)
Proceeds from issues of securities		6,922,603	2,974,501
Dividends paid		(757,802)	-
Other - share issue costs		(431,593)	(106,650)
Net cash provided by / (used in) financing activities		6,068,324	585,072
Net increase / (decrease) in cash and cash equivalents		**308,902**	**1,186,283**
Cash and cash equivalents at the beginning of the financial year		2,511,477	1,325,194
Cash and cash equivalents at the end of the financial period	8(a)	2,820,379	2,511,477

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes which form an integral part of these financial statements.

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 years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Paragon Care Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Paragon Care Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

These financial statements have been prepared under the historical costs convention modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which Company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, and assessing performance of the operating segments has, been identified as the board of directors.

(d) Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

(e) Revenue recognition

Sale of goods

The group manufactures and sells a range of goods to the wholesale and end user market. Sales of goods are recognised when a group entity has delivered product and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery does not occur until the products have been shipped to the customer, the risks of obsolescence and loss have been transferred, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied. Amounts disclosed as revenue are net of returns, trade allowances, duties and tax paid.

No element of financing is deemed present as the sales are made with a credit term of between 30 and 60 days which is consistent with market practice.

Service

Revenue from service is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a percentage of the total services to be provided.
Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

(f) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantively enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation
Paragon Care Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2008. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(g) Leases
Leases of plant and equipment where the Group as lessee has substantially all the risks and benefits of ownership are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Assets acquired under finance leases are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(h) Business combinations
Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the Statement of Profit or Loss and Other Comprehensive Income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable.

Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a Liability is remeasured each reporting period to fair value through the Statement of Profit or Loss and Other Comprehensive Income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the Statement of Profit or Loss and Other Comprehensive Income.

(i) Impairment of assets
At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(j) Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

(k) Trade receivables
Trade receivables are recognised when the risks and rewards of ownership or provision of services of the underlying sales transactions have passed to customers. This event usually occurs on delivery of product or provision of services to customers. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement 30 days after the end of the month in which the invoice was raised. The collection of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for doubtful debts is raised when the directors consider it is probable that the debt is impaired and that it will not be collected.

(l) Inventories
Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are comprised of direct material and direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Financial instruments
Recognition and initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the group becomes a party to the contractual provisions of the instruments.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Those financial instruments entered into by the group are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non cash assets or liabilities assumed is recognised in profit or loss.

Classification and subsequent measurement
(i) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Trade receivables, being generally on 30 day terms, are recognised and carried at original invoice amount less provision for any uncollectible debts. An estimate for impaired debtors is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(ii) Financial liabilities
Non derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Due to their short term nature trade and other payables are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Hedge accounting
The group designates certain derivatives as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(ii) hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions is documented. Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair Value Hedge
Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the Statement of Profit or Loss and Other Comprehensive Income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash Flow Hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income. Amounts accumulated in the hedge reserve in equity are transferred to the Statement of Profit or Loss and Other Comprehensive Income in the periods when the hedged item will affect profit or loss.

Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Unless otherwise disclosed in the notes to the financial statements, the carrying amount of the Group's financial instruments approximates their fair value.

(n) Property, Plant & Equipment

Each class of property, plant and equipment is stated at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses

Plant and Equipment

Plant and equipment are measured on the historical cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on either a straight-line or diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture, Fittings & Equipment	10 - 33%
Motor Vehicles	14 - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(o) Investments in associates

Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, between 20% and 50% of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the reporting dates of the Group and the associate are different, the associate prepares, for the Group's use, financial statements as of the same date as the financial statements of the Group with adjustments being made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

(p) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Software Development

Software development costs are capitalised only when incurred.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the software, generally about three years. Initial TGA registration costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the product, generally 2-3 years.

(q) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(s) Employee benefits

Wages and Salaries and Annual Leave

Liabilities in respect of wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date.

Long Service Leave

A liability for long service leave is recognised, and is 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 wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash outflows.

Superannuation

The company contributed to multi-employer industry funds which provide retirement, disability and death benefits for employees. The company is under no legal obligation to make up any shortfall in any of these funds.

Share Based Payments

Share-based compensation benefits may be provided directly by the issue of ordinary shares or options to employees. The fair value of options granted is recognised as an employee benefits expenses with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The fair value of ASX listed ordinary shares or options is measured by the last sale price of the relevant ordinary shares or options on the ASX on or immediately prior to the date of issue. The fair value of unlisted options at grant date is determined using the Black-Scholes model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable 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 arrangement. An expense is taken up over the period during which the employees become entitled to the option.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to the Group by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the year.

(w) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(x) New Accounting standards for application in future periods

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective. Other than changes to disclosure formats, it is not expected that the initial application of these new standards in the future will have any material impact on the financial report.

Reference	Title	Summary	Application date (financial years beginning)
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2015 (Changed to 1 January 2017 by AASB 2013-9C)
2009-11	Amendments to Australian Accounting Standards arising from AASB 9	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2015
2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127 for amendments to AASB 9 in December 2010	1 January 2015
AASB 14	Regulatory Deferral Accounts	Specifies the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.	1 January 2016
2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	1 January 2014
2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	This Standard amends the disclosure requirements in AASB 136 to include additional disclosures about the fair value measurement and discount rates when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014
2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	This Standard amends AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014
2013-9B	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Part B of 2013-9 makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, and makes various editorial corrections to Australian Accounting Standards.	1 January 2014
2013-9C	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Part C of AASB 2013-9 amends AASB 9 to add Chapter 6 Hedge accounting, to permit "own credit risk" requirements to be applied without applying the other requirements of AASB 9 at the same time, to amend the mandatory effective date of AASB 9 to 1 January 2017 and to amend the reduced disclosure requirements for AASB 7 and AASB 101.	1 January 2015
2014-1A	Amendments to Australian Accounting Standards	Part A of 2014-1 amends various standards as a result of the annual improvements process	1 July 2014
2014-1B	Amendments to Australian Accounting Standards	Part B of AASB 2014-1 makes amendments to AASB 119 Employee Benefits in relation to the requirements for contributions from employees or third parties that are linked to service.	1 July 2014
2014-1C	Amendments to Australian Accounting Standards	Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031.	1 July 2014
AASB 1031	Materiality	Re-issuance of AASB 1031	1 January 2014

Note 2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial years, are discussed below:

(i) Impairment of Goodwill

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. With respect to cash flow projections for the Group's businesses based in Australia, revenue growth rates of be 10% have been factored into valuation models for the next five years. This is on the basis of management's expectation of increased government expenditure in both the acute and aged care market sectors, much of which has already been publicly announced, and their belief in the Group's continued ability to capture a significant share of this expenditure. The rates used incorporate allowance for inflation. Pre-tax discount rates of 9.7% have been used in all models. No impairment has been recognised in respect of goodwill at the end of the reporting period.

NOTE 3 Revenue	2014 $	2013 $
Trading Revenue		
Sale of Goods	19,355,131	17,065,462
	19,355,131	17,065,462
Other income		
Interest	61,799	30,985
Total Other Income	61,799	30,985
Total Revenue	**19,416,931**	**17,096,447**

NOTE 4 Other Income	2014 $	2013 $
Net gain on disposal of fixed assets	23,596	20,513
	23,596	**20,513**

NOTE 5 Expenses	2014 $	2013 $
Profit before income tax expense includes the following specific expenses:		
Depreciation: Plant and equipment	242,602	240,822
Amortisation: Website development costs	7,332	15,869
Amortisation: TGA Costs	1,939	-
Net profit on sale of fixed assets	23,596	6,445
Employee Benefits expense	4,681,666	3,521,477
	4,957,134	**3,784,614**

NOTE 6 Auditors' Remuneration	2014 $	2013 $
During the year the auditor of the Group earned the following remuneration:		
Audit and review of financial reports	52,250	72,000
Tax consulting services	7,000	31,000
Other consulting services	-	-
Total remuneration	**59,250**	**103,000**

NOTE 7 Income Tax		2014 $	2013 $
(a) Income tax expense / (benefit)			
Current tax		170,837	1,469
Deferred tax		(82,501)	(34,899)
Adjustments for current tax of prior periods		(58,818)	-
		29,518	**(33,430)**
(b) Deferred income tax (revenue) / expense included in income tax expense comprises:			
Decrease / (increase) in deferred tax assets		(316,955)	(34,899)
(Decrease) / increase in deferred tax liability	-		-
		(316,955)	(34,899)
(c) The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows;			
Prima facie income tax payable on profit before income tax at 30%		334,323	211,852
Add tax effect of:			
- entertainment expenses		-	-
- net capital gainon sale of businesses		-	-
- other non-deductible expenses		-	30,000
- income tax losses not brought to account		-	-
- overprovision of deferred tax assets in prior year		-	-
Less tax effect of:			
- s40-880		-	(30,352)
- capital losses utilised		-	-
- write back of deferred tax liability on sale of businesses		-	-
- overprovision of income tax in prior year		(58,818)	(363)
- recognition of tax losses not previously brought to account		(245,987)	(244,567)
Income tax expense / (benefit) attributable to profit		29,518	(33,430)
(d) Deferred tax assets			
The balance comprises:			
- Provisions / accruals		22,421	24,873
- Provision for employee entitlements		177,324	125,549
- Provision for stock		-	78,362
- Other assets		157,510	271
- Fixed Assets		3,265	-
- Carry forward tax losses		415,491	230,000
Balance after set off of deferred tax assets and (liabilities)		776,011	459,055
Deferred tax asset not recognised comprise:			
Unrecognised tax losses		792,808	1,038,795
Timing differences		-	-
		792,808	**1,038,795**

The amount of deferred tax assets which may be realised in the future is dependant on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 8 Statement of Cash Flows	2014	2013
	$	$
(a) Cash at bank and on hand	2,820,379	2,511,477
(b) Reconciliation of operating profit (loss) after income tax to net cash used in operating activities		
Operating profit after income tax	1,084,891	739,603
Non cash items		
Depreciation & amortisation	251,873	256,692
Movement in net present value of future trailing commissions	-	-
(Profit)/loss on disposal of assets	(23,596)	(14,068)
Change in operating assets and liabilities		
(Increase)/ decrease in trade debtors	(823,524)	(273,793)
(Increase)/ decrease in other debtors	(150,702)	(12,951)
(Increase)/ decrease in inventory	(1,501,606)	(250,119)
Increase /(decrease) in provisions	(30,149)	(32,899)
Increase /(decrease) in accounts payable and other payables	(872,715)	346,509
Increase/(decrease) in current tax provision	296,794	1,469
Increase/(decrease) in deferred tax asset	(316,956)	(34,899)
Net cash outflows from operating activities	**(2,085,690)**	**725,543**

(c) Non cash financing and investing activities

Other Non Cash Share Issues

In financial year ended 30 June 2014

In January 2014, the company issued 2,162,162 Paragon Care Ltd ordinary shares as part consideration for the acquisition of L R Instruments and Richard Medical. The value of the shares issued as at the date of issues was $800,000.

In financial year ended 30 June 2013

Nil

(d) Financing Facilities

Refer Note 19 (c)

NOTE 9 Inventories	2014	2013
	$	$
Current		
Raw material	578,246	414,244
Work in progress	79,548	79,548
Finished goods	4,413,119	2,575,515
	5,070,913	**3,069,307**
Movements in the provision for inventory written down to net realisable value are as follows:		
At 1 July	261,205	298,368
Increase through business combinations	-	-
Amounts written off	(261,205)	(37,163)
As at 30 June	**-**	**261,205**

NOTE 10 Trade and Other Receivables	2014	2013
	$	$
Current		
Trade and other receivables	3,669,645	2,815,871
GST receivable	171,647	200,736
Other receivables	223,238	72,537
	4,064,529	**3,089,145**
(a) Impaired trade receivables		
As at 30 June 2014 current trade receivables of the Group with a nominal value of $nil (2013: $nil) were impaired:		
The ageing of these receivables is as follows:		
Up to 3 months	-	-
4 to 6 months	-	-
Over 6 months	-	-
	-	**-**
Movements in the provision for impairment of receivables are as follows:		
At 1 July	-	-
Change for the year	-	-
Amounts written off as uncollectable	-	-
As at 30 June	**-**	**-**
(b) Past due but not impaired		
As at 30 June 2014, trade receivables of $1,290,653 (2013: $906,737) 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:		
Up to 3 months	1,508,609	1,265,951
3 to 6 months	145,464	18,636
	1,654,072	**1,284,587**

(c) Other receivables

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

(d) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

NOTE 11 Derivative Financial Instruments	2014 $	2013 $
Current assets		
Foreign exchange forward contracts - cash flow hedges	-	142,798
	-	**142,798**
Current liabilities		
Foreign exchange forward contracts - cash flow hedges	113,938	-
	113,938	**-**

Foreign exchange forward contracts - cash flow hedges

Companies within the group import materials from the United States, Europe and Asia. In order to protect against exchange rate movements, the group has entered into forward exchange contracts to purchase US dollars and Euro. These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major shipments are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the group adjusts the initial measurement of the component recognised in the balance sheet by removing the related amount from other comprehensive income.

NOTE 12 Plant and Equipment	2014 $	2013 $
Non Current Assets		
Furniture,Fittings and Equipment - at cost	1,107,177	969,332
Less accumulated depreciation	(720,959)	(580,039)
Motor Vehicles - at cost	590,523	732,791
Less accumulated depreciation	(358,246)	(382,626)
Total Plant and Equipment	**618,494**	**739,458**
Movement in carrying amount during the year:		
Beginning of year WDV	739,458	852,665
Additions at cost	104,024	181,933
Acquisition through business combinations	87,545	-
Disposals	(69,932)	(54,318)
Depreciation	(242,602)	(240,822)
End of year WDV	**618,494**	**739,458**
(a) Leased assets		
Non current assets includes the following amounts where the group is a lessee under a finance lease:		
Leasehold equipment		
Cost	724,523	776,916
Less accumulated depreciation	(381,383)	(299,361)
Written down value	**343,140**	**477,555**

NOTE 13 Intangible Assets	2014 $	2013 $
Website Development Costs	14,710	7,455
TGA Costs (with business acquisition)	21,333	-
Goodwill	13,610,148	8,370,595
	13,646,192	**8,378,050**
Website development costs		
Beginning of year	7,455	12,539
Additions at cost	35,923	10,785
Amortisation	(7,332)	(15,869)
End of year	**36,045**	**7,455**

The website development costs are amortised over two years.

TGA Costs (with business acquisition)		
Beginning of year	-	-
Additions - PM Medical	23,273	-
Amortisation	(1,939)	-
End of year	**21,333**	**-**
Goodwill		
Beginning of year	8,370,595	8,370,595
Additions - L.R Instruments and Richards Medical	5,239,553	-
Tax Adjustments	(45,806)	-
End of year	**13,564,342**	**8,370,595**

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment. Goodwill is attributable to the profitability of the business acquired. Impairment testing is undertaken by assessing the cash generated from the businesses and estimating the value of the businesses using cash flow projections.

Key assumptions of these projections included:

- Management projections of income and expenses for the five years to 30 June 2018,
- Management projections for growth in each of the businesses over the five year period.
- Application of a three times multiplier for the 2018 year net cash flow to estimate the residual value.
- A discount rate of 9.5% was used, being an estimate of the Company's weighted average cost of capital, being the required rate of return for companies in a similar business.

The net present value estimate of the businesses exceeds the aggregate value of each cash generating unit's assets including the book value of goodwill. At 30 June 2014, there is no indication of impairment of goodwill.

NOTE 14 Trade and other payables	2014 $	2013 $
Current		
Trade creditors	2,198,172	2,535,448
Other creditors	1,218,977	502,972
Accrued expenses	188,609	235,992
	3,605,758	**3,274,412**

NOTE 15 Borrowings	2014 $	2013 $
Current		
Secured		
Bank Loans	663,000	-
Lease Liabilities	187,782	171,919
	850,782	171,919
Unsecured		
Loan		1,500,000
	-	1,500,000
Total Current Borrowings	**850,782**	**1,671,919**
Non Current		
Secured		
Bank Loans	1,020,000	-
Lease Liabilities	209,238	386,890
	1,229,238	386,890
Unsecured		
Loan	2,225,000	2,275,000
	2,225,000	2,275,000
Total Non Current Borrowings	**3,454,238**	**2,661,890**
(a) Secured liabilities and assets pledged as security		
The total secured liabilities (current and non current) are as follows:		
Bank Loans	1,683,000	-
Lease Liabilities	397,020	558,809
	2,080,020	**558,809**

The bank has a first registered company charge over all assets and undertakings including uncalled capital of the consolidated entity.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

(b) Loan

The parent entity borrowed $1,500,000 from a private investor in June 2011. The loan was for a three year period and was repaid in June 2014.

Rapini Pty Ltd is the guarantor for the private investor loan disclosed in note 15.

The parent entity borrowed $2,275,000 from a private investor in June 2012. The loan is in two tranches. The first for $1,150,000 is due for repayment on 1 January 2016 and the second for $1,125,000 is due for repayment on 1 July 2016. Interest, at 9.5% per annum, is payable quarterly in arrears.

NOTE 16 Provisions	2014 $	2013 $
Current		
Employee entitlements	500,520	366,408
	500,520	**366,408**
Non Current		
Employee entitlements	46,374	43,716
	46,374	**43,716**

NOTE 17 Contributed Equity	2014 $	2013 $
Fully paid ordinary shares	22,808,822	15,040,385

(a) Ordinary shares

The Company has unlimited authorised capital with no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number 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.

Movements in ordinary share capital in the Company over the past two years were as follows:

Date		Number of Shares	$
30-Jun-12	Opening balance	32,291,892	12,065,884
27-May-13	Placement to sophisticated and professional investors at issue price of $0.27 per share.	4,843,780	1,307,821
27-Jun-13	Issue of shares pursuant to the company's share purchase plan at issue price of $0.27 per share	3,507,363	947,000
28-Jun-13	Placement to sophisticated and professional investors at issue price of $0.27 per share.	2,665,476	719,680
30-Jun-13	**Balance**	**43,308,511**	**15,040,385**
31-Oct-13	Issue of shares pursuant to the company's dividend re-investment plan price of $0.35 per share	277,358	97,075
20-Nov-13	Placement to sophisticated and professional investors at issue price of $0.37 per share.	10,890,000	4,029,300
23-Dec-13	Placement to sophisticated and professional investors at issue price of $0.37 per share.	7,360,000	2,723,200
30-Dec-13	Shares issued in consideration for the release of an obligation to repay borrowings at issues price of $0.37per share	945,946	350,000
15-Jan-14	Placement to sophisticated and professional investors at issue price of $0.37 per share.	2,162,162	800,000
31-Mar-14	Issue of shares pursuant to the company's dividend re-investment plan price of $0.31 per share	235,566	73,028
30-Jun-14	Accumulated share issue cost incurred during 2014 Fin Year (net of tax)		(304,165)
30-Jun-14	**Closing balance**	**65,179,543**	**22,808,822**

(b) Capital management

When managing capital, the directors' objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders. The directors also aim to maintain a capital structure that ensures the lowest cost of capital available to the Company. The directors are constantly monitoring the Company's capital requirements and capital structure to take advantage of favourable opportunities for raising capital. The directors have no current plans to issue further shares or options on the market unless they conclude a further business acquisition. The directors monitor capital through the gearing ratio (net debt divided by total capital). The target for the Group's gearing ratio is below 50%.

The gearing ratios for the years ending 30 June 2014 and 2013 were as follows:	2014 $	2013 $
Total Borrowings	4,305,020	4,333,809
Less Cash and Cash Equivalents	(2,820,379)	(2,511,477)
Net Debt	1,484,641	1,822,332
Total Equity	18,208,265	10,369,476
Total Capital	**19,692,906**	**12,191,808**
Gearing Ratio	8%	15%

The Group is not subject to any externally imposed capital requirements

NOTE 18 Reserves

	2014 $	2013 $
Currency hedge reserve	(113,938)	142,798
	(113,938)	**142,798**

Movements in currency hedge reserve were as follows:

Beginning of year	142,798	(66,509)
Revaluation	(256,736)	209,307
End of year	**(113,938)**	**142,798**

NOTE 19 Financial Risk Management

The Group's activities expose it to a variety of financial risk: market risk (including currency risk and interest rate 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. Derivative financial instruments are used by the Group to hedge exposure to exchange rate risk associated with foreign currency transactions. Derivatives are used exclusively for hedging purposes, ie not as trading or other speculative instruments.

(a) Market Risk

(i) Forward exchange risk

The Group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated rates. The objective in entering into the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for the purchases undertaken in foreign currencies.

The Group's risk management policy is to hedge between 40% and 100% of anticiptated cash flows (purchase of inventory) in Euro / US Dollars for the subsequent 12 months.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2014 $	2013 $
Forward exchange contracts		
- buy foreign currency (cash flow hedges)		
USD	1,997,841	1,393,010
Euro	1,164,005	1,655,731
	3,161,846	**3,048,741**

(ii) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with the floating interest rate. The Company's policy is not to actively manage interest cost. At 30 June 2014 $483,000 (2013: $NIL) of the Company's debt is at a variable rate of interest.

The financial instruments exposed to interest rate risk are as follows:

	2014 $	2013 $
Financial Assets		
Cash and cash equivalents (interest bearing)	2,380,661	1,539,306
Financial Liabilities		
Interest bearing liabilities - variable rate (current)	(483,000)	-
Interest bearing liabilities - fixed rate (current)	(367,782)	(1,671,922)
Interest bearing liabilities - variable rate (non current)	-	-
Interest bearing liabilities - fixed rate (non current)	(3,454,238)	(2,661,887)
	(4,305,020)	**(4,333,809)**

(b) Credit risk

Credit risk is managed on a group basis. 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. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. For customers, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management.

The Group has no significant exposure to any individual debtor of the Group and the credit risk is low for the majority of the balance. Receivables balances are monitored on an ongoing basis and given the low risk profile of customers the Group's exposure to bad debts is insignificant. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments.

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Forecasted cash flows are used to calculate the forecasted liquidity position and to maintain suitable liquidity levels.

NOTE 19 Financial Risk Management Continued

Financing Arrangements

The Group had access to the following borrowing facilities at the end of the reporting period:

	2014 $	2013 $
Floating Rate		
Expiring within one year		
Total Facility	600,000	600,000
Undrawn amount	117,000	600,000
Expiring beyond one year		
Total Facility		-
Undrawn amount		-
Fixed Rate		
Expiring within one year		
Total Facility	180,000	1,500,000
Undrawn amount	-	-
Expiring beyond one year		
Total Facility	3,245,000	2,275,000
Undrawn amount	-	-
Total		
Total Facility	**4,025,000**	**4,375,000**
Undrawn amount	**117,000**	**600,681**

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted cashflows.

Contractual maturities of financial liabilities	Weighted average interest rate	Less than 6 months	6 to 12 months Years	Between 1 and 2 Years	Between 2 and 5 cash flows	Total contractual
2014	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing		3,605,758	-	-	-	3,605,758
Variable rate	7.3	483,000	-	-		483,000
Fixed rate	8.2	185,109	182,672	327,443	3,126,795	3,822,020
Total	**8.1**	**4,273,867**	**182,672**	**327,443**	**3,126,795**	**7,910,778**
2013						
Non-derivatives						
Non-interest bearing		3,274,412	-	-	-	3,274,412
Variable rate		-	-	-		-
Fixed rate	9.5	78,866	1,593,056	180,481	2,481,406	4,333,809
Total	**9.5**	**3,353,278**	**1,593,056**	**180,481**	**2,481,406**	**7,608,221**

NOTE 19 Financial Risk Management Continued

(d) Fair value measurements

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

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table present the Group's assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013.

At 30 June 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Forward foreign exchange contracts	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Forward foreign exchange contracts	-	(113,938)	-	(113,938)
Total liabilities	**-**	**(113,938)**	**-**	**(113,938)**

At 30 June 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Forward foreign exchange contracts	-	142,798	-	142,798
Total assets	**-**	**142,798**	**-**	**142,798**
Liabilities				
Forward foreign exchange contracts	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

NOTE 20 Related party disclosure

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

(a) Subsidiaries

	Ownership 30 June 2014	Ownership 30 June 2013
Parent Entity		
Paragon Care Limited		
Subsidiaries		
Nogarap L Pty Ltd	100%	100%
Paragon Healthcare Pty Ltd	100%	100%
Iona Medical Products Pty Ltd	100%	100%
Volker Australia Pty Ltd	100%	100%
Rapini Pty Ltd	100%	100%
GM Medical Pty Ltd	100%	100%
Paragon Medical Pty Ltd (formerly Nogarap T Pty Ltd)	100%	100%
L R Instruments Pty Ltd	100%	
Richards Medical Pty Ltd	100%	
Unikits Pty Ltd	100%	

All entities are incorporated in Australia.

(b) Ultimate Parent

Paragon Care Limited is a public company listed on ASX and details of major shareholders are shown in Shareholder Information

(c) Transactions with related parties

Employees and Contractors

Contributions to superannuation funds on behalf of employees are disclosed in the Remuneration Report in the Directors' Report.

(d) Loan to related parties

The parent entity has provided intercompany loans to its subsidiaries for working capital purposes.
The intercompany loans are repayable to the parent entity at call and no interest is payable.
Details of the loans are shown below.

	2014 $	2013 $
Loans to / (from):		
Nogarap L Pty Ltd	(801,251)	(801,251)
Nogarap T Pty Ltd	(269,507)	(269,507)
Paragon Healthcare Pty Ltd	7,384,043	7,319,199
Paragon Medical Pty Ltd	5,226,773	-
	11,540,058	**6,248,441**

NOTE 21 Key management personnel disclosures

a) Key management personnel compensation

Detailed remuneration disclosures are provided in the remuneration report section of the directors' report.
The following table provides the aggregate remuneration of the key management personnel:

	2014 $	2013 $
Short term employee benefits	870,248	800,016
Post employment benefits	41,566	38,949
Others - long term benefits	-	347
Share-based payments	-	-
	911,814	**839,312**

(b) Equity holdings of Key Management Personnel

(i) Share holdings

Details of the key management personnel holdings of ordinary shares in the Company, including their personally related parties, are shown in the following tables:

Directors	Balance 1 July 2013	Shares acquired	Shares disposed	Other changes	Balance 30 June 2014
S F Tanner	1,702,867	-	(1,200,000)	-	502,867
M A Simari	1,240,970	175,944	-	-	1,416,914
M C Newton	189,567	8,561	-	-	198,128
B A Cheong	2,833,208	-	-	-	2,833,208
Other key management personnel					
M.G. Rice	100,000		-	-	100,000

Directors	Balance 1 July 2012	Shares acquired	Shares disposed	Other changes	Balance 30 June 2013
S F Tanner	1,702,867		-	-	1,702,867
M A Simari	1,240,970		-	-	1,240,970
M C Newton	189,567		-	-	189,567
B A Cheong	2,833,208		-	-	2,833,208
Other key management personnel					
M.G. Rice	100,000		-	-	100,000

NOTE 21 Key management personnel disclosures Continued

(ii) Option holdings

Details of the key management personnel holdings of options to acquire ordinary shares in the Company, including their personally related parties, are shown in the following table:

Directors	Balance 1 July 2013	Options acquired	disposed / expired	Options excercised	Balance 30 June 2014
	-	-	-	-	-
	-	-	-	-	-
Other key management personnel	-	-	-	-	-

Directors	Balance 1 July 2012	Options acquired	disposed / expired	Options excercised	Balance 30 June 2013
S F Tanner	100,000	-	(100,000)	-	-
M A Simari	100,000	-	(100,000)	-	-

c) Other transactions with key management personnel

The Paragon Healthcare business has a lease for the premises located in Norcal Road, Nunawading with Mr Brett Cheong and Mrs Lyn Cheong, Mr Cheong being a director of the Company. The lease runs for 3 years from 1 January 2013 with an option for one further term of three years. The rent paid is on commercial terms and the directors consider Mr Cheong's association with the arrangement is on arm's-length terms and conditions. The total rent payable Mr and Mrs Cheong by the Company for the year ended 30 June 2014 was $168,850 (2013: $171,250).

NOTE 22 Earnings per Share

	2014 Cents	2013 Cents
(a) Basic (loss) / Earnings per share (cents per share)	2.0	1.7
(b) Diluted (loss) / Earnings per share (cents per share)	2.0	1.7
(c) Reconciliation of earnings used in calculating earnings per share		
Profit / (Loss) used in calculating basic earnings per share	1,084,891	739,603
Profit / (Loss) used in calculating diluted earnings per share	**1,084,891**	**739,603**
	Number	Number
(d) 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	55,440,725	43,308,511
Adjustments for calculation of diluted earnings per share		
Options	-	0
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**55,440,725**	**43,308,511**

(e) Information concerning the classification of securities

(i) Options

All options on issue 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.

NOTE 23 Parent Entity Disclosures

	2014 $	2013 $
(a) Financial Information		
Profit for the year	(599,008)	(758,438)
Total comprehensive income	(599,008)	(758,438)
Current Assets	13,958,646	7,828,208
Total Assets	14,538,409	8,289,207
Current Liabilities	153,684	278,985
Total Liabilities	2,378,684	2,559,802
Shareholders Equity		
Issued capital	22,808,822	15,040,385
Reserves	-	-
Retained earnings	(10,649,097)	(9,310,980)
Total Equity	12,159,725	5,729,405

(b) Guarantees
The Company and its controlled entities as listed in note 20 have provided financial guarantees in respect of bank loans of subsidiaries amounting to $ nil (2013 - nil), secured by registered mortgages over all of the assets of the Company and its subsidiaries

The parent entity has also given unsecured guarantees in respect of:
(i) finance leases of subsidiaries amounting to $100,818 (2013 - $191,102)

(c) Other Commitments
The Company has no commitments to acquire property, plant and equipment.

(d) Contingent Liabilities
The parent entity did not have any contingent liabilities as at 30 June 2014.

NOTE 24 Contingent Liabilities

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets. The Group has bank guarantees outstanding totalling $39,875.

NOTE 25 Subsequent events

No other matters or circumstances have arisen since the year ended 30 June 2013 that significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 26 Commitments

Lease Commitments

The Group leases various premises under non-cancellable operating leases expiring within two to five years. The leases have various terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

	2014 $	2013 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	565,846	464,383
Later than one year but not later than five years	256,404	631,426
	822,250	**1,095,809**

NOTE 27 Segment Information

The consolidated entity operates within one operating segment only – Medical Equipment. The Medical Equipment segment supply durable medical equipment and consumable medical product to hospitals, medical centres and aged care facilities in Australia predominantly. The consolidated entity does not have any other reportable segments.

NOTE 28 Business Combinations

Paragon Medical Pty Ltd

On 1st Jan 2014 the Company acquired th business and assets of a leading surgical and medical products and instrument supplier LR Instruments and Richards Medical for a combined purchase price of $5.1 million. The acquisition of LR Instruments and Richards Medical has expanded Paragon Care's range of product offering and provide exposure to hospital's operating expense budgets.

Purchase consideration

	$
Cash and cash equivalents	4,339,767
Ordinary shares in Paragon care (2,162,162) at $0.37)	800,000
	5,139,767

Fair value and carrying value of net assets acquired

	$
Net working capital	-
Plant and equipment	60,449
Employee Entitlements	(160,235)
Goodwill on consolidation	5,239,553
	5,139,767

Reconciliation to cashflow

	$
Consideration of purchase	5,139,767
Conditional Payment due Dec 30 2014	(800,000)
Equity funding	(800,000)
Net outflow of cash	3,539,767

Impact of acquisition on the results of the Group

As the acquisition of L.R Instruments and Richard Medical occurred on 1 Jan 2014 the revenue and profit of the Group for the year ended 30 June 2014 reflects January to June 2014 financial month performance of the acquired businesses.

Directors' Declaration

For the year ended 30 June 2014

In the directors' opinion:

a) the financial statements and notes set out on pages 15 to 44 are in accordance with the Corporations Act 2001, including;

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

b) there are reasonable grounds to believe that Paragon Care Limited will be able to pay its debts as and when they become due and payable.

The directors have been given the declaration 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 the resolution of the directors.

S F Tanner
Chairman
28 August 2014

Auditors' Report

RSM Bird Cameron Partners

RSM Bird Cameron Partners
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 3 9286 8000 **F** +61 3 9286 8299
www.rsmi.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

PARAGON CARE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Paragon Care Limited, which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 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, 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 about 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.

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

RSM Bird Cameron Partners

Independence

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

Opinion

In our opinion:

(a) the financial report of Paragon Care 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 2014 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 10 to 13 of the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion the Remuneration Report of Paragon Care Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

R B MIANO
Partner

Melbourne, Victoria
Dated: 28 August 2014

Paragon Care Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board has reviewed the Company's framework and practices in the context of the 3rd edition of the ASX Corporate Governance Principles and Recommendations released in March 2014 (the Principles and Recommendations). The review has resulted in an adaptation of the Company's corporate governance practices, with effect from 1 July 2014 to ensure they continue to meet the interests of shareholders as the Company grows. This revised Paragon Care Corporate Governance Statement (the Statement) and the supplementary policies and charters may be found on the Company's website and a summary is to be provided in the 2014 Annual Report. The Company and its controlled entities together are referred to as the group in this Statement.

A description of the group's corporate governance practices in the year ended 30 June 2014, a comparison to the Principles and Recommendations requirements and the changes going forward is provided below.

Principle 1
Lay solid foundations for management and oversight
The directors are responsible to the shareholders for the performance of the group in both the short and the longer term and seek to balance competing objectives in the best interests of the group as a whole. The focus is to enhance the interests of shareholders and other key stakeholders and to ensure the group is properly managed.

The Board adopted a Board Charter with effect from 1 July 2014 and principles detailed are consistent with the responsibilities of the Board discharged in the year to 30 June 2014.
The responsibilities of the Board include:

- Developing and approving the corporate strategy and monitoring implementation of strategy.
- Evaluating, approving and monitoring the strategic and financial plans of the Company.
- Evaluating, approving and monitoring the annual budgets (including financial and other reporting) and business plans.
- Evaluating, approving and monitoring the progress of major capital expenditure, capital management and all major corporate transactions, including the issue of securities of the Company.
- Appointment of the Chairman of the Company.
- Appointing, monitoring, managing the performance of, and if necessary terminating the employment of the Managing Director, Senior Management and Company Secretary. The Board will consider the Managing Director and Senior Management's authorities and accountabilities, as well as objectives and performance indicators to provide monitoring benchmarks.
- Managing succession planning for the positions of Managing Director and such other key management positions which may be identified from time to time.
- Liaising with the Managing Director in relation to the appointment and termination of such key management positions which may be identified from time to time.
- Ensuring appropriate resources are available to the Managing Director and Senior Management.
- Reviewing, ratifying and monitoring the Company's risk and audit framework, (including but not limited to) systems of risk management and internal control. Reviewing, ratifying and monitoring compliance with the Company's risk and audit policies and protocols.
- Reviewing, ratifying and monitoring the Company's operations in relation to, and compliance with relevant regulatory and legal requirements.
- Actively and regularly involved in strategic planning and reviewing, developing and considering strategic planning issues and identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing.
- Periodic review with management on how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.
- Reviewing and approval of all disclosures related to any departures from the ASX principles of good corporate governance.
- Reviewing and approval of the disclosure of any of the Company's policies and procedures to the general public.
- Supervision of the public disclosure of all matters that the ASX best practice recommendations and recommend be publicly disclosed consistent with the Continuous Disclosure Policy approved by the Board.
- Establishing and monitoring performance and reporting of Committees of the Board.
- Appointment of Directors to Committees established by the Board.
- Approval and monitoring delegations of authority.
- Enhancing and protecting the reputation of the organisation

Day to day management of the group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the managing director and senior management team.

Any director, with the prior agreement of the Chairman (or in the case of the Chairman by reference to one non-executive director) may in furtherance of their duties, seek independent professional advice at the Company's expense.

The Board widened the responsibilities of the Remuneration Committee to include identification and selection of directors and senior management and renamed it the Nominations & Remuneration Committee with effect from 1 July 2014. The Nominations & Remuneration Committee Charter is available on the Company's website. In addition to being responsible for guiding the remuneration structure of the Company this committee will also be responsible for identifying suitable candidates to act as directors of the Company and undertaking appropriate checks of candidates. In the year to 30 June 2014 these responsibilities were undertaken by the full Board. The details of the all Company's directors can be found in the 2014 Annual Report and for directors that were elected at the 2013 Annual General Meeting in the Notice of Meeting.

All directors and senior management have written agreements with the Company detailing the terms of their appointment. The Company Secretary is appointed by the Board and reports to the chairman on all Board matters.

Diversity Policy
The Company values diversity and recognises the benefits it can bring to the organisation's ability to

achieve its goals. However given the relatively small size and number of employees of the Company the directors do not believe it is currently appropriate to establish formal diversity objectives in relation to gender, age, cultural background and ethnicity, but rather to ensure that the best candidate at the time is appointed to any vacant position.

Board and senior management evaluation
The Board undertakes a self assessment of its collective performance, the performance of the Chairman and of its committees. The assessment also considers the adequacy of induction and continuing education and access to information. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. An assessment carried out in accordance with this process was undertaken during June 2014.

The senior management performance is evaluated annually against operational and financial objectives agreed by the Board.

Detail on the principles and amounts of non-executive director and senior management remuneration can be found in the Remuneration Report section 2014 Annual Report.

Principle 2
Structure the Board to add value
In the year to 30 June 2014 the Board acted as the nomination committee and was responsible for establishing the criteria for Board membership, reviewing Board membership and identifying suitable candidates to act as directors to contribute to Board's duties and responsibilities. Effective from 1 July 2014 the Remuneration Committee's role has been expanded to include Board and senior management appointment responsibilities, and henceforth will be referred to as the Nominations & Remuneration Committee. The Nominations & Remuneration Committee Charter can be found on the Company's website.

The Board has taken every care to achieve a well-structured Board, which includes both executive and non executive directors with an appropriate range of skills and experience. In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman is an independent non-executive director and all directors are required to exercise independent judgement and review and constructively challenge the performance of management.

The Company as at 30 June 2014 had four directors, two of whom are independent non executive directors (Mr Tanner, the Chairman, and Mr Newton). The two executive directors are Mr Simari - CEO, and Mr Cheong - Marketing Manager.

Contrary to Recommendation 2.4 the independent non-executive directors are in the minority, but at this stage of development it is considered appropriate for a majority of directors to have a hands-on role within the Company. The Chairman of the Board, Mr Tanner, is an independent, non-executive director and he, with the other independent director, Mr Newton, provide an active role in challenging management.

The Company ensures all directors have and maintain the skills to discharge their roles effectively by an induction process for new directors and development programs for directors.

Principle 3
Act ethically and responsibly
The Board expects all directors, employees and contractors to act with the utmost integrity and objectivity, and in compliance with the letter and the spirit of the law and Company policies striving at all times to enhance the reputation and performance of the Company, in the following areas;

- Business ethics
- Compliance with laws
- Personal and professional conduct
- Respect for others and improper behavior
- Dealings with suppliers, customers, advisers and regulators
- Dealing with the community
- Dealing with other employees.

The Company and its directors have always promote ethical and responsible decision-making and effective 1 July 2014 the Company has formalised its Code of Conduct and this may be viewed on the Company's website.

Principle 4
Safeguard integrity in corporate reporting
In the year ended 30 June 2014 the directors considered the limited scope of operations and existing control systems provided sufficient safeguard for the integrity of the Company's financial reporting and the full Board considered all financial and audit matters of the Company, in lieu of an Audit Committee. However with the growth and expansion of the business the directors now consider it appropriate to establish an Audit & Risk Committee, and effective 1 July 2014 this Committee will review and make recommendations in relation to the integrity of the Company's financial reporting processes and its financial statements, and oversee the risk management processes within the Company. The Audit & Risk Committee Charter may be viewed on the Company's website.

The Audit & Risk Committee comprises the 2 independent non-executive directors, contrary to the Principles and Recommendations that suggests there be a minimum of three members. There are only 2 independent non-executive directors on the Company's Board and it is not appropriate for any executive director to be on this committee so it can be independent of management in discharging its responsibility of overseeing the integrity of management's financial administration and risk management. Consistent with the requirements of Section 295A of the Corporations Act the Company's Managing Director or Chief Financial Officer provide a declaration that, in their opinion, the financial records of the Company for a each financial year and half year have been properly maintained in accordance with the Act and that the financial statements and the notes for the financial year comply with the accounting standards and give a true and fair view of the financial position and performance of the entity. The directors must receive this declaration before they approve the financial statements for the financial year and half year.

The Company 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. Mr Robert Miano of RSM Bird Cameron was appointed as the external auditor in November 2009. In June 2014 pursuant to §324DAA of the Corporations Act the Board resolved to permit Mr Miano, if required, to continue as auditor until 30 June 2016. Reasons for the extension include continuity of knowledge and experience that Mr Miano has accumulated over the years, as well as, key relationships formed during this period' is considered a material benefit to maintaining the quality of audit work for a further period covering the two financial years ending 30 June 2015 and 2016

The external auditor will attend the Company's annual general meetings 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 Board fully recognises its disclosure obligations under ASX Listing Rule 3.1 and aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs by:

- The Company reporting to shareholders at least each six months.
- Ensuring that price sensitive information and matters of material significance are reported to the ASX immediately.
- Copies of all announcements and reports are available on the ASX website and are posted on the Company's website as soon as they are disclosed to the ASX.

The Company and its directors fully appreciate their responsibilities under the ASX Listing Rules and has fully understood and complied with the Company's continuous disclosure obligation notwithstanding the absence of a formal continuous disclosure policy. However effective 1 July 2014 the Company adopted a Continuous Disclosure Policy and this may be viewed on the Company's website.

Principle 6
Respect the rights of security holders
The Company aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of the Company. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

To achieve this, the Company communicates information regularly to shareholders and other stakeholders through a range of forums and publications.

One of the Company's key communication tools is its website located at www.paragoncare.com.au .

The Company endeavours to keep its website up-to-date. Important information about the Company can be found under the section marked Corporate Governance on its website.

In addition to the material specifically referred to below, the Corporate Governance section of the website includes details of the following:

- the Company's Board and Board Committee charters;
- the Company's core corporate governance policies;
- any press release, analyst reports and announcements made by the Company; and
- financial information about the Company.

The website also contains a facility for shareholders to direct inquiries to the Company, but at present it does not provide shareholders with the option of receiving communications from the Company via email. The Company's relatively small shareholding base has not warranted the extra expense however the Company periodically reviews this communication option. The Company's shareholders may also deal directly with its share registry, Link Market Services through its website https://investorcentre.linkmarketservices.com.au/Login/Login

Measures for communicating the following important aspects of the Company's affairs include:

- Notice of meeting: The Company places the full text of all notices of meetings and explanatory material on its website. The Company encourages shareholders to provide email addresses so that notices of meeting and explanatory material can be sent to shareholders via email.
- Annual General Meeting (AGM): The Company encourages full participation of shareholders at its AGM each year. For those shareholders who are unable to attend in person, the Company provides an outline of the Chairman's and the Chief Executive Officer's presentations on its website. Shareholders are encouraged to lodge proxies electronically, subject to the adoption of satisfactory authentication procedures. The Company's external auditor will attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act 2001 (Cth).
- Annual Report: The Company's Annual Report is available on its website and contains important information about the Company's activities and results for the previous financial year. Shareholders can elect to receive the Company's Annual Report or concise report as an electronic copy or in hard copy through the mail.
- Announcements lodged with the ASX: All ASX announcements made to the market, including annual and half year financial results, are posted on the Company's website as soon as practicable following their release by ASX.
- Presentations: Copies of all investor presentations made to analysts and media briefings are posted on the Company's website.

Principle 7
Recognise And Manage Risk
In the year to 30 June 2014 the Company did not have formal risk management policies or a separate risk management committee as the Board monitored the operational and financial performance of the Company against forecasts and other key performance measures. The Board has established internal controls and reviews areas of operational and financial risks. The Company has strategies to mitigate identified risks of the business. The Company carries sufficient insurance for the size and nature of its business to protect shareholders' equity. From 1 July 2014 the systems of risk oversight and management and internal control will be monitored by the Audit & Risk Committee and its charter may be found on the Company's website. The Company is in the process of formalising its policies and processes for the oversight and management of material business risks but to date the risk review process has been on-going and no formal review of the overall risk framework has been undertaken to date. Following the acquisitions made during the past financial year, the Board will undertake a review of risk management within the Company, the broader business risks and reporting processes.

The Company does not have an internal audit function. The Company is small enough and the Board sufficiently knowledgeable of the Company's operations to evaluate the effectiveness risk management and internal control processes of the Company. In addition the Company's auditor reports upon risk management control processes and makes recommendations for areas of improvement

Principle 8
Remunerate fairly and responsibly
The Company's seeks to pay its directors and executives' sufficient remuneration to attract, retain and motivate high quality personnel. The policy objectives are as follows:

- to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders and having regard to relevant Company policies;
- to attract and retain skilled executives and directors;
- to structure short and long term incentives for executives that are challenging and linked to the creation of sustainable shareholder returns;
- to ensure any termination benefits for executives are justified and appropriate; and
- to ensure the incentive for non-executive directors are justified and not in conflict with their obligation to bring independent judgment to matters before the Board.

In the year to 30 June 2014 the Company had a Remuneration Committee and the details of its members and the directors' attendance at remuneration committee meetings are set out in the directors' report of the 2014 Annual Report. From 1 July 2014 this committee has expanded responsibilities to include consideration of director appointments and is to be referred to as the Nominations & Remuneration Committee and its charter may be found on the Company's website.

In respect of remuneration matters the Nominations & Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on directors (executive and non-executive) and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration Report" in the 2014 Annual Report.

On an annual basis the Board reviews with senior management the past results and documented action plans together with specific performance objectives which are agreed for the coming year. Senior management performance is evaluated annually against the operational and financial objectives agreed by the Board. The Company does have an option plan available for employees however there is no equity based performance incentive scheme offer to senior management. The Board considers that given the relatively small size of the Company and its stage of development such incentive schemes are not appropriate but this will remain under periodic review by the Nominations & Remuneration Committee.

On behalf of the Board

S F Tanner
Chairman

Melbourne, Victoria
28 August 2014

Shareholder Information

Shareholder Information
For the year ended 30 June 2014

The shareholders information set out below was applicable as at 18 September 2014.

(A) Distribution of equity securities
Analysis of numbers of equity security holders by size of holding:

Number of Units	PGC
1-1,000	525
1,001-5,000	256
5,001-10,000	142
10,001-100,000	346
100,001 and over	99
Total Holders	**1,368**

There are 580 holders of less than a marketable parcel of ordinary shares

(B) Equity security holders
Twenty largest quoted equity security holders:

ORDINARY SHARES

Name	Units	% of issued shares
JMT INVESTMENT GROUP VIC PTY LTD	6,013,809	9.23%
POSSE INVESTMENT HOLDINGS PTY LIMITED	2,870,000	4.40%
BRETT CHEONG & LYNN CHEONG	2,833,207	4.35%
BNP PARIBAS NOMS PTY LTD	2,027,073	3.11%
LIONEL RICHARDS NO 2 PTY LTD	1,621,622	2.49%
UNRANDOM PTY LTD	1,564,731	2.40%
DAK DRAFTING SERVICES PTY LTD	1,500,000	2.30%
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,405,860	2.16%
THE AUSTRALIAN NATIONAL UNIVERSITY	1,230,340	1.89%
WHOTIF PTY LIMITED	1,165,000	1.79%
ROMAN LOHYN PTY LTD	1,010,000	1.55%
MR GREGORY STEPHEN VAWDREY & MRS CHERYL MARGARET VAWDREY	1,000,001	1.53%
GUERILLA NOMINEES PTY LTD	967,742	1.48%
MR GARRY PETER CROLE	964,344	1.48%
INTERPRAC FINANCIAL PLANNING PTY LTD	922,961	1.42%
MR IVAN TANNER & MRS FELICITY TANNER	880,000	1.35%
CITICORP NOMINEES PTY LIMITED	850,610	1.31%
CHARKAROO PTY LTD	787,104	1.21%
MR KEITH STERRY ADDISON WOODRUFF	716,000	1.10%
JILLIBY PTY LTD	705,000	1.08%
Total Top 20 PGC Shareholders	31,035,404	47.62%
Balance of Register	**34,144,139**	**52.38%**
Grand Total	65,179,543	100.00%

(C) 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

(D) Substantial holders

Name	Units	% of issued ordinary shares
John Turner Group	6,013,809	9.23
Total Substantial Shareholders	6,013,809	9.23
Total PGC Shares	**65,179,543**	

The above substantial shareholders hold a beneficial interest in the shares via their interests in the shareholders detailed below:

John Turner Group	
JMT Investments Pty Ltd	3,497,470
JMT Investments Pty Ltd atf John Turner Superannuation Fund	2,516,339

Paragon Care Limited
ABN 44 136 627 971

Registered Office
Unit 1, 56 Norcal Road
Nunawading VIC 3131
T +61 3 8833 7800
F +61 3 8833 7890
paragoncare.com.au

paragoncare.com.au