



**PARAGON CARE LIMITED  
AND CONTROLLED ENTITIES**

**ABN: 76 064 551 426**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2010**

# Paragon Care Limited

ABN: 76 064 551 426

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For the year ended 30 June 2010

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## **Paragon Care Limited**

ABN: 76 064 551 426

### **Directors' Report**

For the year ended 30 June 2010

#### **Directors**

Shane F. Tanner (Non -Executive Chairman)  
Mark A. Simari (Managing Director)  
Michael C. Newton (Non-Executive Director)  
Brett A. Cheong (Executive Director)  
Timothy L. Blanche (Executive Director)

#### **Company Secretary**

Darryl P. Levin

#### **Share Registry**

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands, Western Australia, 6000  
Telephone: (08) 9389 8033  
Facsimile: (08) 9389 7871

#### **Stock Exchange Listing**

Australian Stock Exchange

Trading code: PGC – ordinary shares

PGCOA – options exercisable at 2 cents each on or before 31 May 2012

#### **Registered Office**

Unit 1, 56 Norcal Road  
Nunawading, Victoria 3131  
Telephone: (61 3) 9878 8893  
Facsimile: (61 3) 9877 2902

#### **Principal Business Office**

Unit 1, 56 Norcal Road  
Nunawading, Victoria 3131  
Telephone: (61 3) 9878 8893  
Facsimile: (61 3) 9877 2902

#### **Auditor**

RSM Bird Cameron Partners  
Level 8 Rialto South Tower,  
525 Collins Street  
Melbourne, Victoria, 3000

#### **Bankers**

Commonwealth Bank of Australia  
National Australia Bank

## **Paragon Care Limited**

ABN: 76 064 551 426

### **Directors' Report**

For the year ended 30 June 2010

#### **Directors' Report**

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 2010.

#### **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 (appointed 2 July 2009)  
Mr Timothy Blanche (appointed 2 July 2009)

#### **Principal Activities**

The principal activity of the Group is the provision of complementary products and services to the health and aged care market, which includes the supply of durable medical equipment and the provision of financial and placement services to assist in the transition to aged care facilities.

On 2 July 2009 the Company acquired all of the issued capital of Axishealth Pty Ltd ("Axishealth"). On 9 June 2010 the Company acquired all the issued capital of Iona Medical Products Pty Ltd ("Iona Medical Products") and Volker Australia Pty Ltd ("Volker Australia"). These companies supply durable medical products to the health and aged care market in Australia.

#### **Operating Results and Review of Operations for the Year**

For the first time in the Company's history it has achieved, for the year ended 30 June 2010, an operating profit. The profit of the consolidated entity after providing for income tax amounted to \$147,782 (2009: \$311,910 loss).

This result was primarily due to the inclusion of Axishealth, which was acquired on 2 July 2009, and Iona Medical Products and Volker Australia, which were acquired on 9 June 2010, together with the organic growth experienced in Lifetime Planning and Tender Living Care. Axishealth contributed for the full year whilst Iona and Volker contributed for 20 days in June 2010. All of the Company's business units operated profitably during the period.

Axishealth, which was acquired on 2 July 2009, is a distributor of Durable Medical Equipment, primarily to hospitals and aged care facilities. On 9 June 2010 the Company acquired all of the issued capital of Iona Medical Products Pty Ltd and Volker Australia Pty Ltd. Both Iona Medical Products and Volker Australia are established distributors of Durable Medical Equipment to the health and aged care sectors. The Iona / Volker product range of beds, trolleys, functional furniture, wheelchairs and mobility products complements and adds value to the Axishealth product range. Synergies will be achieved in administration, purchasing and through the expanded sales opportunities available through the Group's national distribution network.

The operations of Lifetime Planning and Tender Living Care are becoming increasingly integrated as they gain the benefits of working within the same target market. Both businesses expanded, and increased their staffing, during the period under review.

The trends in operating performance that were evident in the period under review are expected to be maintained during the coming financial year.

## **Paragon Care Limited**

ABN: 76 064 551 426

### **Directors' Report**

For the year ended 30 June 2010

#### **Significant Changes in the State of Affairs**

On 2 July 2009 the Company acquired all of the issued capital of Axishealth Pty Ltd; a significant supplier of Durable Medical Equipment (DME) to the Australian health and aged care sector including hospitals, aged care facilities, general practitioners and pharmacies. Products include medication carts, electronic hospital beds, IV stands and sophisticated paediatric cots. The shares acquired are held by the Company's wholly owned subsidiary Paragaxis Pty Ltd. The consideration for the purchase of Axishealth Pty Ltd was comprised of a cash payment to the vendor of \$2,474,882 and the issue of 29,090,909 fully paid ordinary shares to the vendor.

On 9 June 2010 the Company acquired all of the issued capital of Iona Medical Products Pty Ltd and Volker Australia Pty Ltd. Both Iona Medical Products and Volker Australia are established distributors of Durable Medical Equipment to the health and aged care sectors. The Iona / Volker product range of beds, trolleys, functional furniture, wheelchairs and mobility products complements and adds value to the Axishealth product range. Synergies will be achieved in administration, purchasing and through the expanded sales opportunities available through Axishealth's national distribution network. The consideration for the purchase of the Iona and Volker businesses comprised cash payments to the vendor of \$2,732,202.

#### **Matters Subsequent to the end of Financial Year**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

#### **Future Developments, Prospects and Business Strategies**

The Company's focus for the coming year will be to continue to implement its strategy to consolidate its position of being a key provider of specialist products and niche services to the aged and health care markets. This will involve integrating the businesses of Axishealth and Iona / Volker to achieve synergies in purchasing and administration and using Axishealth's established distribution network to increase sales.

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.

#### **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 or Recommended**

No dividends were paid during the year and the directors do not recommend the payment of a dividend.

## Paragon Care Limited

ABN: 76 064 551 426

### Directors' Report

For the year ended 30 June 2010

#### 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 (appointed 2 July 2009)  
Mr. Timothy Blanche (appointed 2 July 2009).

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

<b>Mr. Shane F. Tanner</b>	Non-Executive Chairman, Age 57
Qualifications	FCPA, ACIS
Experience	Chairman of Vision Group Holdings Limited and Chairman of Funtastic Limited. Formerly Chairman of Sterihealth Limited. Appointed as a Director on 21 December 2005
Responsibilities	Chairman of the Board Chairman of the Remuneration Committee
<b>Mr. Mark A. Simari</b>	Managing Director, Age 41
Qualifications	B.Acc, Dip FS
Experience	Former Director of DKN Financial Group Limited, Director Sage Capital Group Pty Ltd & Garmak Enterprises Pty Ltd Appointed as a Director on 13 February 2007 and Managing Director on 15 April 2007
Responsibilities	Managing Director
<b>Mr. Michael C. Newton</b>	Non-Executive Director, Age 56
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
<b>Mr. Brett A. Cheong</b>	Executive Director, Aged 51
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 and providing on-going consulting services to Axishealth Pty Ltd.
Responsibilities	Member of the Remuneration Committee
<b>Mr Timothy L. Blanche</b>	Executive Director, Aged 44
Qualifications	B.App Sci and Grad Dip Management
Experience	Over 25 years in healthcare sector in both the public and private health arenas and not for profits, and many years experience in also consulting work for pathology, radiology, medical centres, and hospitals. Appointed as a Director of the Company and Managing Director of Axishealth Pty Ltd on 2 July 2009

#### Company Secretary

<b>Mr. Darryl P. Levin</b>	Company Secretary, Aged 52
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

## Paragon Care Limited

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### Directors' Report

For the year ended 30 June 2010

#### Meetings of Directors

During the financial year, 13 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	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	1	1
Mr T L Blanche	12	12	-	-

#### Remuneration Report

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

##### ***Remuneration policy and philosophy***

The Board takes responsibility for setting the remuneration and conditions of service of all directors, employees and contractors.

##### ***Principles used to determine the nature and amount of executive remuneration.***

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, 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 Board has established a remuneration committee which makes recommendations to the board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

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 officers 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.

## Paragon Care Limited

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### Directors' Report

For the year ended 30 June 2010

#### *Non-executive directors*

The Board 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 August 2010. The following fees have applied:

<b>Base Fees</b>	<b>From 1 August 2010</b>	<b>To 31 July 2010</b>
Chairman	\$65,000	\$55,000
Other non-executive directors	\$40,000	\$33,000

#### *Executive remuneration*

The Board reviews executive remuneration and other terms of employment on an ongoing basis having regard to comparative information and independent expert advice. 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, and this practice will continue.

Agreements may provide for the provision of other benefits including car allowances. There is currently no performance related remuneration for Directors other than for the Managing Director.

### ***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 2.0¢ and a high of 3.9¢. As at 30 June 2010 the Company's share price (ASX: PGC) was 2.8¢ per share which was up 27% from the same time last year.

Year Ended	30 June 2005	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
Price High ¢	28.0	70.0	27.0	4.3	3.5	3.9
Price Low ¢	9.0	12.5	3.0	1.8	2.0	2.0
Price 30 June ¢	12.0	14.0	3.0	2.3	2.2	2.8
Earnings ¢ per share	(4.7)	(3.3)	(3.7)	(1.9)	(0.3)	0.1
Dividends	Nil	Nil	Nil	Nil	Nil	Nil
Net Asst \$ million	1.94	2.08	1.18	0.56	3.13	3.35

### ***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 the managing director, chief financial officer and the other key management personnel are also formalised in service agreements.



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**Directors' Report**

For the year ended 30 June 2010

Other major provisions of the agreements relating to remuneration are set out below:

<b>Name</b>	<b>Term of Agreement</b>	<b>Base salary including superannuation</b>	<b>Termination benefit</b>
<b>Non-executive directors</b>			
Mr S F Tanner, non-executive chairman	No fixed term	\$55,000	No termination benefit
Mr M C Newton, non-executive director	No fixed term	\$33,000	No termination benefit
Mr B A Cheong, non-executive director	No fixed term	\$33,000	No termination benefit
<b>Executive directors</b>			
Mr M A Simari, managing director	1 April 2008 to 30 June 2011 *	\$175,000 ** (consultancy package)	No termination benefit
Mr T L Blanche, managing director Axishealth	1 June 2009 to 30 June 2012 ***	\$150,000 *** (consultancy package)	No termination benefit
<b>Other key management personnel</b>			
Mr Darryl Levin, chief financial officer & company secretary	No fixed term	\$150,000 (pro rata)	No termination benefit
Mr Chris Pearson, general manager Iona	No fixed term	\$130,800 (pro rata)	No termination benefit
Mrs Susan Woodruff, senior financial planner Lifetime Planning	No fixed term	\$130,800	No termination benefit
Ms Denise Tomaras, general manager Tender Living Care	No fixed term	\$77,900	No termination benefit

\* Either party may terminate the agreement by giving six months notice

\*\* 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 2010.

Performance incentive - The Base Consultancy Package rises to \$200,000 per annum once the Company's market capitalisation rises to \$10 million and to \$250,000 per annum if the market capitalisation rises to \$15 million during the term of the Consultancy Agreement.

\*\*\* Performance Bonus - The Consultancy Agreement provides for a bonus to be payable upon achieving performance criteria set in agreement with the Managing Director. No performance criteria were set and no bonus paid in the year to 30 June 2010.

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**Directors' Report**

For the year ended 30 June 2010

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

Name	Short-term employee benefits		Non monetary benefits	Post employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus		Super-annuation	Long service leave	Options	
	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>							
Mr S F Tanner	55,000	-	-	-	-	-	55,000
Mr M C Newton	33,000	-	-	-	-	-	33,000
Mr B A Cheong	^56,740	-	-	-	-	-	56,740
<b>Executive directors</b>							
Mr M A Simari	162,500	-	-	-	-	-	162,500
Mr T L Blanche	150,000	-	-	-	-	-	150,000
<b>Other key management personnel</b>							
Mr D P Levin (appointed 6 October 2009)	99,522	-	-	8,957	-	20,000	128,479
Mr C Pearson (appointed 9 June 2010)	5,833	-	530	525	-	-	6,888
Mrs S Woodruff	120,000	-	-	10,800	4,383	-	135,183
Ms D Tomaras	75,000	7,500	-	6,750	-	-	89,250
<b>Total</b>	<b>757,595</b>	<b>7,500</b>	<b>530</b>	<b>27,032</b>	<b>4,383</b>	<b>20,000</b>	<b>817,040</b>

^ Includes consulting fees of \$23,740 paid for marketing support services

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 Axishealth business leases premises from Mr Brett Cheong and Mrs Lyn Cheong, Mr Cheong being a director of the Company. The lease runs for 5 years from 1 January 2008 with an option for two further terms each 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 2010 was \$180,000.

From 1 July 2009 until 31 August 2009 the Registered Office of the Company was at the premises of Clinical Advisory Services Pty Ltd, an entity associated with Mr Tanner. The Company leased an office from and paid Clinical Advisory Services monthly rental for the use of the office. The rent paid was on commercial terms and the directors consider Mr Tanner's association with the arrangement between the Company and Clinical Advisory Services is on arm's-length terms and conditions. The total rent paid to Clinical Advisory Services by the Company for the year ended 30 June 2010 was \$1,000 (2009 \$6,000).

## Paragon Care Limited

ABN: 76 064 551 426

### Directors' Report

For the year ended 30 June 2010

#### 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)	Listed options 2¢ 31/05/2012 (PGCOA)	Unlisted options 3¢ 30/05/2013
Mr S F Tanner	10,726,631	5,287,500	1,000,000
Mr M A Simari	9,844,204	5,544,194	1,000,000
Mr M C Newton	1,454,500	-	-
Mr B A Cheong	27,890,909	-	-
Mr T L Blanche	24,521,222	24,000,000	-

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.

#### Share Options

Options outstanding at the date of this report which are exercisable into ordinary shares of Paragon Care Limited are:

Options	Number	Term	Exercise Price
Quoted PGCOA options	146,816,320	31 May 2012	\$0.02
Unquoted options	10,250,000	30 May 2013	\$0.03

Option holders do not have any right, by virtue of the option, to vote, to participate in dividends or to the proceeds on winding up of the Company.

#### Shares Issued As A Result Of The Exercise Of Options

During the financial year no fully paid ordinary shares (PGC) were issued as a result of the exercise of any options. No ordinary shares have been issued since the end of the financial year as a result of the exercise of any options.

No person entitled to exercise the options had or has any right by virtue of the options to participate in any share issue of any other body corporate.

#### Indemnification and Insurance of Directors and Officers

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.

## Paragon Care Limited

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### Directors' Report

For the year ended 30 June 2010

#### 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 and 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 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.

The company was not a party to any such proceedings during the year

#### 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.

#### 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:

	2010	2009
	\$	\$
<b>Audit Services</b>		
Audit and review of financial reports and other audit work under the Corporations Act 2001	44,000	64,745
<b>Non audit services</b>		
Taxation services	6,535	8,550
Other services	3,819	-

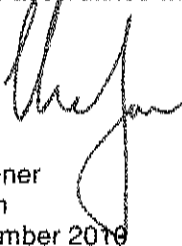
**Paragon Care Limited**  
ABN: 76 064 551 426

**Directors' Report**  
For the year ended 30 June 2010

**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 14.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read 'S. F. Tanner', written over a faint, illegible printed name.

S. F. Tanner  
Chairman  
30 September 2010

**RSM Bird Cameron Partners**  
Level 8 Rialto South Tower  
525 Collins Street Melbourne VIC 3000  
PO Box 248 Collins Street West VIC 8007  
T +61 3 9286 1800 F +61 3 9286 1999  
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 2010, 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**

Chartered Accountants

*R B Miano*

**R B MIANO**

Partner

30 September 2010  
Melbourne, VICTORIA

**Consolidated Statement of Comprehensive Income**  
For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Continuing operations</b>			
Revenue	3	9,405,009	1,100,374
Cost of sales		<u>(5,779,387)</u>	<u>(146,637)</u>
<b>Gross profit</b>		<b>3,625,622</b>	<b>953,737</b>
Other revenue	3	21,676	25,908
Operating costs		<u>(842,812)</u>	<u>(318,859)</u>
Corporate costs		<u>(120,163)</u>	<u>(121,714)</u>
Finance costs		<u>(224,899)</u>	<u>(44,230)</u>
Selling and distribution		<u>(166,192)</u>	-
Employee and consultants costs (incl. directors fees and remuneration)		<u>(2,231,779)</u>	<u>(838,958)</u>
Share of the profit or loss of associates	13	<u>34,038</u>	<u>35,025</u>
<b>Profit/(loss) before tax</b>		<b>95,491</b>	<b>(309,091)</b>
Income tax expense	5	<u>52,291</u>	<u>(2,819)</u>
<b>Profit for the year</b>		<b><u>147,782</u></b>	<b><u>(311,910)</u></b>
<b>Other Comprehensive Income</b>			
Gain on available-for-sale assets			5,364
Issue of options		20,000	
Gain on cash flow hedges		<u>26,112</u>	-
<b>Other comprehensive income for the year, net of tax</b>		<b>46,112</b>	<b>5,364</b>
<b>Total comprehensive income for the year</b>		<b><u>193,894</u></b>	<b><u>(306,546)</u></b>
Profit for the period attributable to:			
Owners of the parent		<u>147,782</u>	<u>(311,910)</u>
		<b><u>147,782</u></b>	<b><u>(311,910)</u></b>
Total comprehensive income for the year attributable to:			
Owners of the parent		<u>193,894</u>	<u>(306,546)</u>
		<b><u>193,894</u></b>	<b><u>(306,546)</u></b>
<b>Earnings per share</b>			
Basic (cents per share)	23	<b>0.1</b>	<b>(0.3)</b>
Diluted (cents per share)	23	<b>0.0</b>	<b>(0.3)</b>

*The above Consolidated Statement of 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**  
**As at 30 June 2010**

	Note	2010 \$	2009 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	1,503,679	982,935
Inventories	8	1,241,673	-
Other financial assets	10	26,112	1,632,371
Trade and other receivables	9	2,790,774	365,451
<b>Total current assets</b>		<u>5,562,238</u>	<u>2,980,757</u>
<b>Non-current assets</b>			
Trade and other receivables	9	245,000	215,000
Investments accounted for using the equity method	13	333,949	311,911
Plant and equipment	11	469,673	15,000
Intangibles	12	5,186,950	533,066
<b>Total non-current assets</b>		<u>6,235,572</u>	<u>1,074,977</u>
<b>TOTAL ASSETS</b>		<u>11,797,810</u>	<u>4,055,734</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	3,380,505	289,521
Interest bearing liability	15	966,857	450,000
Provisions	16	193,030	7,838
<b>Total current liabilities</b>		<u>4,540,392</u>	<u>747,359</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	-	77,143
Interest bearing liability	15	3,906,455	-
Deferred tax liabilities		-	89,918
Provisions	16	2,338	8,012
<b>Total non-current liabilities</b>		<u>3,908,793</u>	<u>175,073</u>
<b>TOTAL LIABILITIES</b>		<u>8,449,185</u>	<u>922,432</u>
<b>NET ASSETS</b>		<u>3,348,625</u>	<u>3,133,302</u>
<b>EQUITY</b>			
Contributed equity	17	9,659,520	9,638,091
Reserves	18	562,997	516,885
Accumulated losses		(6,873,892)	(7,021,674)
<b>TOTAL EQUITY</b>		<u>3,348,625</u>	<u>3,133,302</u>

*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.*



**Paragon Care Limited**

ABN: 76 064 551 426

**Consolidated Statement of Changes in Equity**

For the year ended 30 June 2010

	Share capital	Share option reserve	Investment revaluation reserve	Currency hedge reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2008</b>	7,073,531	206,808	(5,364)	-	(6,709,764)	565,211
Profit / (loss) for the year	-	-	-	-	(311,910)	(311,910)
Gain on available-for-sale assets	-	-	5,364	-	-	5,364
<b>Total comprehensive income for the year</b>	-	-	5,364	-	(311,910)	(306,546)
Issue of options	2,640,000	310,077	-	-	-	2,950,077
Issue of share capital	42,857	-	-	-	-	42,857
Equity transaction costs	(118,297)	-	-	-	-	(118,297)
<b>Balance at 30 June 2009</b>	<b>9,638,091</b>	<b>516,885</b>	<b>-</b>	<b>-</b>	<b>(7,021,674)</b>	<b>3,133,302</b>
<b>Balance at 1 July 2009</b>	9,638,091	516,885	-	-	(7,021,674)	3,133,302
Profit / (loss) for the year	-	-	-	-	147,782	147,782
Issue of options	-	20,000	-	-	-	20,000
Gain / (loss) on cash flow hedge	-	-	-	26,112	-	26,112
<b>Total comprehensive income for the year</b>	-	20,000	-	26,112	147,782	193,894
Issue of share capital	21,429	-	-	-	-	21,429
<b>Balance at 30 June 2010</b>	<b>9,659,520</b>	<b>536,885</b>	<b>-</b>	<b>26,112</b>	<b>(6,873,892)</b>	<b>3,348,625</b>

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

**Consolidated Statement of Cash Flows**  
For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		10,488,721	1,040,674
Payments to suppliers and employees		(10,057,753)	(1,463,448)
Interest and other items of similar nature paid		(217,454)	(39,639)
Interest received		21,676	11,714
<b>Net cash provided by / (used in) operating activities</b>	7(b)	<b>235,190</b>	<b>(450,699)</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired		(3,905,064)	(1,072,371)
Payment for contingent consideration		(40,000)	-
Proceeds from sale of other financial assets		-	14,646
Proceeds from sale of plant and equipment		29,091	-
Payment for plant and equipment		(162,973)	(7,873)
Payment for development of website		(15,000)	(5,976)
Dividends Received		12,000	18,000
<b>Net cash provided by / (used in) investing activities</b>		<b>(4,081,946)</b>	<b>(1,053,574)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		5,087,500	-
Repayment of borrowings		(720,000)	(50,000)
Proceeds from issues of securities		-	2,270,076
Other - share issue costs		-	(78,297)
<b>Net cash provided by / (used in) financing activities</b>		<b>4,367,500</b>	<b>2,141,779</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
		520,744	637,506
Cash and cash equivalents at the beginning of the financial year		982,935	345,429
<b>Cash and cash equivalents at the end of the financial period</b>	7(a)	<b>1,503,679</b>	<b>982,935</b>

*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.*

## **Paragon Care Limited**

ABN: 76 064 551 426

### **Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

#### **Note 1 Summary of Significant Accounting Policies**

The financial report of Paragon Care Limited (the Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 30 September 2010.

The financial report includes the consolidated financial statements of the Company and its controlled entities (the Group).

Paragon Care Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

##### **(a) Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the Statement of Comprehensive Income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

##### **(b) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by 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 21 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.

## **Paragon Care Limited**

ABN: 76 064 551 426

### **Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

#### **Note 1 Summary of Significant Accounting Policies (continued)**

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 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) Revenue**

Amounts disclosed as revenue are net of returns, trade allowances and duties and tax paid. Revenue from the sale of goods is recognised when control of the goods passes to the customer. Revenue generated for the Company by the Lifetime Planning business comes from three fee / commission income streams. The Lifetime Planning business provides financial advisory services to clients and receives fees for advice provided together with origination commission on investments made by clients with investment managers on the basis of the advice provided. Additionally the investment manager will normally pay a trailing commission over the life of the investment by clients with the investment manager.

Fee / Commission revenues are recognised as follows:

###### *Fees for advice*

Fees for advice are recognised upon receipt of the fee.

###### *Origination commissions*

Origination commissions are recognised upon the investment by a client with an investment manager being settled and upon receipt of commission from the investment manager.

###### *Trailing commissions*

The Company receives trailing commissions from investment managers on investments held by clients that were originated by the Company. The trailing commissions are received over the life of the investment by the client based on the market value of the monthly investment balance. On initial recognition, trailing commission revenue and receivables are recognised at fair value, being the expected future trailing commission receivables discounted to their net present value. Subsequent to initial recognition and measurement on the trailing commission asset is measured at amortised cost. The carrying amount of the trail commission asset is adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised as income or expense in the profit and loss account.

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.

##### **(e) Foreign Currency Transactions**

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 comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

**(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 substantially 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 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.

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

**(g) 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.

**(h) Trade & Other 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 to customers or provision of services. Trade receivables are recorded at nominal amounts. Credit terms are 30 days. 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.

**(i) 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 accounted as cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

**(j) Financial Instruments**

***Recognition and initial measurement***

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

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 either discharged, cancelled or expire. 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.

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

(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 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 comprehensive income. Amounts accumulated in the hedge reserve in equity are transferred to the statement of 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.

**(k) Property, Plant & Equipment**

Each class of property, plant and equipment is carried 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 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.

**Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

**Depreciation**

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 comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**(l) 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 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.

**(m) 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.



**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

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.

**(n) Intangibles**

***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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

***Website Development***

Website 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 website.

**(o) Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

**(p) 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.

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

*Share Based Payments*

Share-based compensation benefits may be provided directly by the issue of ordinary shares or options to employees. In February 2010, the Company issued listed options to an employee as a sign-on bonus. The Company has determined that the fair value of options issued to employees 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 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.

**(q) 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 economic benefits will result and that outflow can be reliably measured.

**(r) Leases**

Leases of fixed assets 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.

Leased assets 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.

**(s) 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.

**(t) 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.

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

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 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 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 comprehensive income.

**(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.

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

**(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) Adoption of New and Revised Accounting Standards**

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current year. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

**(i) Presentation of financial statements**

The Group has applied the revised *AASB 101 Presentation of Financial Statements (2007)* from 1 January 2009. The revision of this standard now requires the consolidated entity to present all non-owner changes to equity ('comprehensive income') in the statement of comprehensive income. The Group has presented the income statement and non-owner changes in equity in one Statement of Comprehensive Income. All owner changes in equity are presented separately in the Statement of Changes in Equity.

The presentation requirements have been applied for the entire reporting period and comparative information has been re-presented to also comply with the revised *AASB 101*.

**(ii) Segment reporting**

The Group has applied *AASB 8 Operating Segments* with effect from 1 July 2009. Previously operating segments were reported in accordance with *AASB 114 Segment reporting*. *AASB 8* requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the consolidated entity to allocate resources and assess performance. In the case of the Group the chief operating decision maker is the Board of Directors.

As a result of the adoption of *AASB 8*, the Group's reportable segments have changed. Operating segments now represent the basis on which the consolidated entity reports its segment information to the Board on a monthly basis. Comparative segment information has been represented to comply with the requirements of *AASB 8*. The change in policy has resulted in a change to the disclosure presented and not the Group's profit or earnings per share.

**(iii) Business combinations and consolidation procedures**

Revised *AASB 3 Business Combinations* and *AASB 127 Consolidated and Separate Financial Statements* apply prospectively from 1 July 2009. Changes introduced by these standards which are expected to affect the consolidated entity, include the following:

- Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation
- Any non-controlling interest (previously known as minority interest) in an acquiree is measured at either fair value or as the non-controlling interest's proportionate share of net identifiable assets of the acquiree.
- The acquirer is prohibited from recognising contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability.

**Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

- Consideration for the acquisition, including contingent consideration, must be measured at fair value at acquisition date. Subsequent changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments but are rather recognised in accordance with other Australian Accounting Standards as appropriate.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

**(y) New Accounting Standards for Application in Future Periods**

At the date of this financial report AASB 9, AASB 2009-11, AASB 2009-8, AASB 2009-10, AASB 2009-12 AASB 2009-13 and AASB Interpretation 19 which may impact the entity in the period of initial application, have been issued but are not yet effective. These new standards have not been applied in the preparation of this financial report. 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	<i>Financial Instruments</i>	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 2013
Interpretation 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>	This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor.	1 July 2010
AASB 124	<i>Related Party Disclosures</i>	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011
2009-11	<i>Amendments to Australian Accounting Standards arising from AASB 9</i>	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 2013
2009-12	<i>Amendments to Australian Accounting Standards</i>	Amends AASB 8 Operating Segments as a result of the revised AASB 124. Amends AASB 5, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052 as a result of the annual improvement project.	1 January 2011

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 1 Summary of Significant Accounting Policies (continued)**

Reference	Title	Summary	Application date (financial years beginning)
2009-13	<i>Amendments to Australian Accounting Standards arising from Interpretation 19</i>	Amends AASB 1 due to the issuance of Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.	1 July 2010
2009-14	<i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement</i>	Amends Interpretation 14 AASB 119 – The limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.	1 January 2011
2010-1	<i>Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures from First-time Adopters</i>	Amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> ; and AASB 7 <i>Financial Instruments: Disclosures</i> . Principally give effect to extending transitional provisions of AASB 2009-2.	1 July 2010
AASB 1053	<i>Application of Tiers of Australian Accounting Standards</i>	This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013
2010-2	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements and amends AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052.	1 July 2013
2010-3	<i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	Amends AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139 as a result of the annual improvements project.	1 July 2010

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**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 plant and equipment based in Australia, growth rates of between 12 – 15% have been factored into valuation models for the next five years on the basis of management's expectations around the Group's continued ability to capture market share from competitors. Cash flow growth rates subsequent to this period have been used as this reflects historical industry averages. The rates used incorporate allowance for inflation. Pre-tax discount rates of 16.3% have been used in all models. No impairment has been recognised in respect of goodwill at the end of the reporting period.

**(ii) Trailing Commissions**

The Group receives trailing commissions from fund managers on settled investments over the life of the investment based on the investment balance. The Group is entitled to the trailing commissions without having to perform further services.

The fair value of trailing commission receivable from fund managers is determined by using a discounted cash flow valuation. These calculations require the use of assumptions. The assumptions are determined by management based on market information available. The key assumptions underlying the fair value calculations of trailing commission receivable as at 30 June 2010 and 30 June 2009 are summarised in the table below:

	<b>30 June 2010</b>	<b>30 June 2009</b>
Annual Erosion	20%	25%
Discount rate	16.3%	16.3%
Termination year	10 years (2021)	10 years (2020)

In June 2010 the Directors projected the future value of the trailing commissions by estimating the annual erosion of the commissions received. The Lifetime Planning clients tend to be older than the industry norm and in estimating the future value of the trailing commissions as at 30 June 2009 it was assumed the trailing commission base would decline by around 25% per annum. Analysis of the trailing commissions received since this date indicates the actual erosion is substantially below the 2009 estimate and the directors have decided to value the future trailing commissions as at 30 June 2010 on the basis of an erosion of 20% per annum. The Directors valued the future trailing commissions portfolio at \$400,000 as at 30 June 2009 and on the basis of the revised assumption, new commissions generated less commissions received; the directors assessment of the value of the future commission is \$450,000 as at 30 June 2010.

**Note 3 Revenue**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Trading Revenue</b>		
Sale of Goods	<b>8,284,917</b>	-
Commissions & Fees	<b>1,120,092</b>	1,100,374
	<b>9,405,009</b>	1,100,374
<b>Other income</b>		
Government Grant - Export Market Development	-	14,194
Interest	<b>21,676</b>	11,714
<b>Total Other Income</b>	<b>21,676</b>	25,908
<b>Total Revenue</b>	<b>9,426,685</b>	1,126,282

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 4 Profit from continuing operations**

	2010	2009
	\$	\$
<b>Expenses</b>		
Profit before income tax expense includes the following specific expenses:		
Depreciation:		
Plant and equipment	77,938	4,332
Amortisation:		
Website development costs	6,600	-
Costs of business combination	79,600	4,601
Employee share option costs	20,000	-
Employee Benefits expense	1,403,370	734,032

**Note 5 Income tax**

	2010	2009
	\$	\$
Profit / (Loss) from continuing operations	95,491	(306,546)
Prima facie tax / (benefit) on operating loss before income tax at statutory income tax rate 30% (2009: 30%)	28,647	(91,964)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Entertainment	6,096	-
Share of Ascentor Pty Ltd profits	(10,211)	-
Dividends received	3,600	-
Dividend imputation credits	-	(5,400)
Share issue costs S40-880	(7,098)	-
Temporary differences not brought to account	(3,929)	-
Tax losses utilised	(17,105)	100,156
Temporary differences written back	(52,291)	-
Income Tax expense/( benefit)	(52,291)	2,792

**Deferred tax balances**

(a) Deferred tax asset not recognised comprise:

Unrecognised tax losses	1,519,659	1,247,012
Timing differences	(72,291)	-
	<u>1,447,368</u>	<u>1,247,012</u>

(b) Deferred tax liability recognised comprise:

Provisions	-	3,786
Unearned income	-	(120,000)
Current year losses	-	26,296
	<u>-</u>	<u>(89,918)</u>

The amount of deferred tax assets which may be realised in the future is dependent 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.



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**Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

**Note 6 Auditors' remuneration**

	2010	2009
	\$	\$
During the year the auditor of the Group earned the following remuneration:		
Audit and review of financial reports	44,000	64,745
Tax consulting services	6,535	8,550
Other consulting services	3,819	-
Total remuneration	<u>54,354</u>	<u>73,295</u>

**Note 7 Statements of cash flows**

	2010	2009
	\$	\$
<b>(a) Cash at bank and on hand</b>	<u>1,503,679</u>	<u>982,935</u>
<b>(b) Reconciliation of operating profit (loss) after income tax to net cash used in operating activities</b>		
Operating profit after income tax	147,782	(311,910)
<b>Non cash items</b>		
Depreciation & amortisation	84,538	4,332
Allowance for impairment of debtors	9,397	-
Movement in net present value of future trailing commissions	(50,000)	(50,000)
Share of net profit of Associate accounted for using the equity method	(34,038)	(35,025)
Dividend Received		
Profit on disposal of assets	(6,402)	4,601
Movement in Reserves	94,633	-
<b>Change in operating assets and liabilities</b>		
(Increase)/ decrease in trade debtors	189,589	(114,737)
(Increase)/ decrease in other debtors	-	(90,789)
(Increase)/ decrease in inventory	(162,976)	-
Increase /(decrease) in provisions	(107,605)	4,347
Increase /(decrease) in accounts payable and other payables	122,563	135,663
Increase/(Decrease) in deferred tax liability	(52,291)	2,819
Net cash outflows from operating activities	235,190	(450,699)

**(c) Non cash financing and investing activities****Other Non Cash Share Issues****In financial year ended 30 June 2010**

In September 2009 the Company issued Paragon care Ltd 857,143 ordinary shares as part consideration for the acquisition of the Tender Living Care business. The value of the shares issued as at the date of issue was \$21,429

In February 2010 the Company issued 2 million Paragon Care Ltd listed options exercisable at two cents on or before 31 May 2012 being sign on consideration for a new employee. The value of the options issued at the date of issue was \$20,000.

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**Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

**Note 7 Statements of cash flows (continued)****In financial year ended 30 June 2009**

In June 2009 the Company issued 29,090,909 Paragon Care Ltd ordinary shares as an advance payment for part of the consideration for the acquisition of all of the issued capital of Axishealth Pty Ltd. The value of the shares issued as at the date of issue was \$640,000.

In June 2009 the Company issued 4 million Paragon Care Ltd listed options exercisable at two cents on or before 31 May 2012 to Melbourne Capital Ltd as part of its fee for arranging the placement of new shares and options in June 2009. The value of the options issued at the date of issue was \$40,000.

**(d) Financing Facilities**

Refer Note 19 (c)

**Note 8 Inventories**

	2010	2009
	\$	\$
<b>Current</b>		
Finished goods		
- at cost	1,241,673	-
- at net realisable value	-	-
	<u>1,241,673</u>	<u>-</u>

Movements in the provision for inventory written down to net realisable value are as follows:

At 1 July	-	-
Increase through business combinations	60,743	-
Amounts written off	-	-
As at 30 June	<u>60,743</u>	<u>-</u>

**Note 9 Trade & other receivables**

	2010	2009
	\$	\$
<b>Current</b>		
Trade and other receivables	2,366,489	164,100
Trailing commissions receivable	205,000	185,000
GST receivable	165,769	5,357
Other receivables	53,516	10,994
	<u>2,790,774</u>	<u>365,451</u>
<b>Non-current</b>		
Trailing commissions receivable	<u>245,000</u>	<u>215,000</u>

**(a) Impaired trade receivables**

As at 30 June 2010 current trade receivables of the Group with a nominal value of \$9,397 (2009: \$0) were impaired.

	2010	2009
	\$	\$
The ageing of these receivables is as follows:		
Up to 3 months	-	-
4 to 6 months	-	-
Over 6 months	9,397	-
	<u>9,397</u>	<u>-</u>

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 9 Trade & other receivables (continued)**

	2010 \$	2009 \$
Movements in the provision for impairment of receivables are as follows:		
At 1 July	-	527,272
Change for the year	9,397	-
Amounts written off as uncollectable	-	527,272
As at 30 June	<u>9,397</u>	<u>-</u>

**(b) Past due but not impaired**

As at 30 June 2010, trade receivables of \$145,722 (2009: \$5,233) 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:

	2010 \$	2009 \$
Up to 3 months	118,951	5,233
3 to 6 months	26,771	-
	<u>145,722</u>	<u>5,233</u>

**(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 10 Other financial assets**

	2010 \$	2009 \$
<b>Current</b>		
Advance payments on acquisition of Axishealth	-	1,632,371
Foreign exchange forward contracts	26,112	-
	<u>26,112</u>	<u>1,632,371</u>

Foreign exchange forward contracts - cash flow hedges

Companies within the Group import materials from the United States and Europe. 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

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 11 Plant and equipment**

	2010	2009
	\$	\$
<b>Non Current Assets</b>		
Furniture, Fittings and Equipment - at cost	294,016	20,041
Less accumulated depreciation	(110,779)	(5,041)
Motor Vehicles - at cost	461,528	-
Less accumulated depreciation	(175,092)	-
<b>Total Plant and Equipment</b>	<u>469,673</u>	<u>15,000</u>

**Movement in carrying amount during the year:**

Beginning of year WDV	15,000	11,459
Additions at cost	162,973	7,873
Acquisition through business combinations	392,841	-
Disposals	(23,203)	-
Depreciation	(77,938)	(4,332)
End of year WDV	<u>469,673</u>	<u>15,000</u>

**Note 12 Intangible assets**

	2010	2009
	\$	\$
Website Development Costs	17,909	9,569
Formation Expenses	130	-
Goodwill	5,168,911	523,497
	<u>5,186,950</u>	<u>533,066</u>

**Website development costs**

Beginning of year	9,569	3,593
Additions at cost	15,000	5,976
Amortisation	(6,660)	-
End of year	<u>17,909</u>	<u>9,569</u>

The website development costs are amortised over two years.

**Formation Expenses**

Beginning of year	-	-
Acquisition through business combinations	130	-
Amortisation	-	-
End of year	<u>130</u>	<u>-</u>

**Goodwill**

Beginning of year	523,497	253,497
Additions - Acquisition of Tender Living Care	-	270,000
Additions - Acquisition of Axishealth Pty Ltd	2,426,925	-
Additions - Iona Medical Products Pty Ltd	1,618,989	-
Additions - Volker Australia Pty Ltd	599,500	-
End of year	<u>5,168,911</u>	<u>523,497</u>

**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.

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**Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

**Note 12 Intangible assets (continued)**

Key assumptions of these projections included:

- Management projections of income and expenses for the five years to 30 June 2015,
- Management projections for growth in each of the businesses over the five year period.
- Application of a three times multiplier for the 2015 year net cash flow to estimate the residual value.
- A discount rate of 16.3% 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 2010, there is no indication of impairment of goodwill.

**Note 13 Investments accounted for using the equity method**

	2010 \$	2009 \$
Unlisted Investment in Ascentor Pty Ltd	<u>333,949</u>	<u>311,911</u>
The Company has a 30% equity interest in Ascentor Pty Ltd		

**(b) Movements in the carrying amount of the Group's investment in associates**

Consolidated Ascentor Pty Ltd	311,911	294,886
Dividends Received	(12,000)	(18,000)
Share of profits after income tax	34,038	36,025
30 June 2010	<u>333,949</u>	<u>311,911</u>

**(c) Summarised financial information**

The following table illustrates summarised financial information relating to the Company's associates:

Extract from the Ascentor Pty Ltd balance sheet as at 30 June:

Current assets	151,703	189,968
Non-current assets	<u>1,108,745</u>	<u>1,057,483</u>
	<u>1,260,448</u>	<u>1,247,451</u>
Current liabilities	(105,899)	(97,651)
Non-current liabilities	*	*
	<u>(105,899)</u>	<u>(97,651)</u>
<b>Net assets</b>	<u>1,154,549</u>	<u>1,149,800</u>
Share of associates' net assets	346,365	344,940

Extract from the Ascentor Pty Ltd income statement for the year ended 30 June:

Revenue	1,025,690	906,281
Net Profit	113,462	116,747

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**Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

**Note 14 Trade and other payables**

	2010	2009
	\$	\$
<b>Current</b>		
Trade creditors	2,393,304	174,101
Amounts owing to directors / outstanding fees	-	6,050
Other creditors	876,102	109,370
Accrued expenses	111,099	-
	<u>3,380,505</u>	<u>289,521</u>
<b>Non Current</b>		
Other creditors	-	77,143
	<u>-</u>	<u>77,143</u>

**Note 15 Borrowings**

	2010	2009
	\$	\$
<b>Current</b>		
<b>Secured</b>		
Bank Loans	957,150	450,000
Lease Liabilities	9,707	-
<b>Total Current Borrowings</b>	<u>966,857</u>	<u>450,000</u>
<b>Non Current</b>		
<b>Secured</b>		
Bank Loans	2,585,350	-
Lease Liabilities	46,105	-
	<u>2,631,455</u>	<u>-</u>
<b>Unsecured</b>		
Convertible Notes	1,025,000	-
Loan	250,000	-
	<u>1,275,000</u>	<u>450,000</u>
<b>Total Non Current Borrowings</b>	<u>3,906,455</u>	<u>450,000</u>

**(a) Secured liabilities and assets pledged as security**

The total secured liabilities (current and non current) are as follows:

Bank Loans	3,542,500	450,000
Lease Liabilities	55,812	-
	<u>3,598,312</u>	<u>450,000</u>

The bank loans are secured by a first registered company charge over the whole of the group's assets together with cross guarantees from each of the group companies.

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) Convertible Notes**

The parent entity issued 1,025,000 11% notes for \$1,275,000 on 9 June 2010. The notes are convertible into ordinary shares of the parent entity at the option of the holder or repayable on 30 June 2012. The conversion rate is a maximum of 25 shares for each note held, with the actual rate being determined by calculation of the price at the time of conversion using the formula - the greater of 85% of the market price and \$0.04.

**(c) Loan**

The parent entity borrowed \$250,000 from a private investor on 9 June 2010. The loan must be repaid on 30 June 2012 or at the option of the borrower any time before this date. Interest, at 11% per annum is payable quarterly in arrears.

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**Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

<b>Note 16 Provisions</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Employee entitlements	134,885	7,818
Provision for income tax	58,145	-
	<u>193,030</u>	<u>7,818</u>
<b>Non Current</b>		
Employee Entitlements	<u>2,338</u>	<u>8,012</u>

<b>Note 17 Contributed equity</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Fully paid ordinary shares	<u>9,659,520</u>	<u>9,638,091</u>

**(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:**

<b>Date</b>		<b>Number of Shares</b>	<b>\$</b>
<b>1-Jul-08</b>	<b>Opening balance</b>	<b>110,961,193</b>	<b>7,073,531</b>
26-Sep-08	Part consideration for equity in Tender Living Care business at issue price of \$0.03.	1,428,571	42,857
1-May-09	Placement of new shares for working capital purposes at issue price of \$0.025.	8,000,000	200,000
15 & 18 Jun-09	Placement of new shares for funding for part consideration for acquisition of Axishealth Pty Ltd and working capital purposes at issue price of \$0.025.	72,000,000	1,800,000
26-Jun-09	26-Jun-09 Advance for part consideration for acquisition of Axishealth Pty Ltd at issue price of \$0.022.	29,090,909	640,000
30-Jun-09	Placement Costs	-	-118,297
<b>30-Jun-09</b>	<b>Closing Balance</b>	<b>221,480,673</b>	<b>9,638,091</b>
28-Sep-09	Part consideration for equity in Tender Living Care business at issue price of \$0.025	857,143	21,429
<b>30-Jun-10</b>		<b>222,337,816</b>	<b>9,659,520</b>

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For the year ended 30 June 2010

**Note 17 Contributed equity (continued)****(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 it concludes a further business acquisition.

The gearing ratios for the years ending 30 June 2010 and 2009 were as follows:

	2010	2009
	\$	\$
Total Borrowings	4,873,312	450,000
Less Cash and Cash Equivalents	<u>(1,503,979)</u>	<u>(982,935)</u>
<b>Net Debt</b>	<b><u>3,369,333</u></b>	<b><u>(532,935)</u></b>
Total Equity	<u>3,348,625</u>	<u>3,133,302</u>
<b>Total Capital</b>	<b><u>6,717,958</u></b>	<b><u>2,600,367</u></b>
<b>Gearing Ratio</b>	<b>50%</b>	<b>0%</b>

The Group is not subject to any externally imposed capital requirements

**(c) Options outstanding as at 30 June 2009**

Options do not entitle the holders to voting rights, to participate in dividends or the proceeds on winding up of the Company. Each option entitles the holder to one ordinary share upon exercise of that option upon payment of the relevant exercise price prior to the date of expiry of the option.

The following options to purchase fully paid ordinary shares in the Company were outstanding at balance date.

Date Granted	Note	Opening balance 30/06/09	Number Granted	Number Exercised	Number Expired	Closing balance 30/06/10
<b>Listed Options</b>						
<b>Share Based Payments</b>						
28-May-08	(i)	1,500,000	-	-	-	1,500,000
15-Jun-09	(ii)	5,000,000	-	-	-	5,000,000
<b>Sub Total</b>		<b>6,500,000</b>	-	-	-	<b>6,500,000</b>
<b>Other Options</b>						
21-Aug-07	(iii)	26,304,235	-	-	-	26,304,235
30-Jun-08	(iv)	7,004,439	-	-	-	7,004,439
4-Jul-08	(iv)	6,500,000	-	-	-	6,500,000
23-Jul-08	(iv)	20,507,646	-	-	-	20,507,646
1-May-09	(iii)	4,000,000	-	-	-	4,000,000
15 & 18-Jun-09	(iii)	72,000,000	-	-	-	72,000,000
15-Jun-09	(iii)	4,000,000	-	-	-	4,000,000
1-Feb-10	(iii)	-	2,000,000	-	-	2,000,000
<b>Total Listed Options</b>		<b>140,316,320</b>	<b>2,000,000</b>	-	-	<b>142,316,320</b>
<b>Unlisted Options</b>						
<b>Other Options</b>						
8-Jun-10	(iii)	-	10,250,000	-	-	10,250,000
<b>Total Unlisted Options</b>		-	<b>10,250,000</b>	-	-	<b>10,250,000</b>
<b>Total for all Options</b>		<b>146,816,320</b>	<b>12,250,000</b>	-	-	<b>159,066,320</b>



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For the year ended 30 June 2010

**Note 17 Contributed equity (continued)**

Notes

(I) The exercise price is \$0.020. The options are listed and exercisable any time on or prior to 31 May 2012. Market value at date of grant was 1.5 cents each.

(II) The exercise price is \$0.020. The options are listed and exercisable any time on or prior to 31 May 2012. Market value at date of grant was 2.0 cents each.

(III) The exercise price is \$0.020. The options are listed and exercisable any time on or prior to 31 May 2012. Issued for no consideration.

(IV) The exercise price is \$0.020. The options are listed and exercisable any time on or prior to 31 May 2012. Issued at 1.0 cents each.

<b>Note 18 Reserves</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Share option reserve	536,885	516,885
Currency hedge reserve	26,112	-
	<u>562,997</u>	<u>516,885</u>

**Movements in options over the past two years were as follows:**

		<b>Number</b>	<b>Weighted Average exercise price</b>	<b>Share Option Reserve</b>
1-Jul-08	(I) Number of Options brought forward	34,808,674	0.020	206,808
4-Jul-08	(I) Directors take-up of shortfall to June 2008 issue	6,500,000	0.010	65,000
23-Jul-08	(I) Placement of remaining shortfall to June 2008 issue	20,507,646	0.010	205,077
1-May-09	(I) Option entitlement for placement of shares	4,000,000	-	-
15 & 18-Jun-09	(I) Option entitlement for placement of shares	72,000,000	-	-
15-Jun-09	(I) Option entitlement for placement of shares	4,000,000	-	-
15-Jun-09	(I) Fee for management of placement	5,000,000	0.008	40,000
<b>30 June 2009</b>	<b>Options at balance date</b>	<u>146,816,320</u>		<u>516,885</u>
1-Feb-10	(I) Options issued as employee sign-on fee	2,000,000	0.010	20,000
8-Jun-10	(II) Option entitlement for placement of convertible notes	10,250,000		-
<b>30 June 2010</b>	<b>Options at balance date</b>	<u>159,066,320</u>		<u>536,885</u>

(I) Options are listed, expire on 31 May 2012, and are currently fully vested and exercisable.

(II) Options are not listed, expire on 30 May 2013, and are currently fully vested and exercisable.

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 18 Reserves (continued)**

Movements in currency hedge reserve were as follows:

	2010	2009
	\$	\$
Beginning of year	-	-
Revaluation	26,112	-
<b>End of year</b>	<b>26,112</b>	<b>-</b>

**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, i.e. 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 anticipated 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:

	2010	2009
	\$	\$
Forward exchange contracts		
- buy foreign currency (cash flow hedges)		
USD	1,103,527	-
Euro	-	-
	<b>1,103,527</b>	<b>-</b>

**(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 2010 \$2,012,500 (2009 \$450,000) of the Company's debt is at a variable rate of interest.

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

	2010	2009
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents (interest bearing)	295,380	869,813
<b>Financial Liabilities</b>		
Interest bearing liabilities - variable rate (current)	(597,150)	(450,000)
Interest bearing liabilities - fixed rate (current)	(369,707)	-
Interest bearing liabilities - variable rate (non current)	(1,415,350)	-
Interest bearing liabilities - fixed rate ( non current)	(2,491,105)	-
	<b>(4,873,312)</b>	<b>(450,000)</b>

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 19 Financial risk management (continued)**

**(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 accounts its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by 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.

*Financing Arrangements*

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

	2010 \$	2009 \$
<b>Floating Rate</b>		
<b>Expiring within one year</b>		
Total Facility	412,500	450,000
Undrawn amount	-	-
<b>Expiring beyond one year</b>		
Total Facility	1,600,000	-
Undrawn amount	-	-
<b>Fixed Rate</b>		
<b>Expiring beyond one year</b>		
Total Facility	1,530,000	-
Undrawn amount	-	-
<b>Total</b>		
Total Facility	3,542,500	450,000
Undrawn amount	-	-

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 19 Financial risk management (continued)**

***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 cash flows.

<b>Contractual maturities of financial liabilities</b>	<b>Less than 6 months</b>	<b>6 to 12 months</b>	<b>Between 1 and 2 Years</b>	<b>Between 2 and 5 Years</b>	<b>Total contractual cash flows</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>2010</b>					
<b>Non-derivatives</b>					
Non-interest bearing	3,380,505	-	-	-	3,380,505
Variable rate	18,000	456,050	1,538,450	-	2,012,500
Fixed rate	184,743	184,965	1,645,628	845,476	2,860,812
<b>Total</b>	<b>3,583,248</b>	<b>641,015</b>	<b>3,184,078</b>	<b>845,476</b>	<b>8,253,817</b>
<b>2009</b>					
<b>Non-derivatives</b>					
Non-interest bearing	289,521	-	-	-	289,521
Variable rate	25,000	425,000	-	-	450,000
Fixed rate	-	-	-	-	-
<b>Total</b>	<b>314,521</b>	<b>425,000</b>	<b>-</b>	<b>-</b>	<b>739,521</b>

**(d) Fair value measurements**

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

As of 1 July 2009, Paragon Care Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which 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) (level 3).

The following table present the Group's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

<b>Group - at 30 June 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>				
Forward foreign exchange contracts	-	26,112	-	26,112
<b>Total assets</b>	<b>-</b>	<b>26,112</b>	<b>-</b>	<b>26,112</b>

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**Note 20 Segment information**

For management purposes the Group is organised into two strategic units which operate in different industry sectors and are managed separately.

- Financial and Aged Care Services – the provision of financial and placement services to assist in the transition to aged care.
- Medical Equipment – the provision of durable medical products to the health and aged care markets.

Such structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system. It represents the basis on which the consolidated entity reports its primary segment information to the Board on a monthly basis.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the Group is managed and provides a meaningful insight into the business activities of the Group.

The following tables present details of revenue and operating profit by business segment as well as a reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements. The information disclosed in the tables below is derived directly from the internal financial reporting system used by corporate management to monitor and evaluate the performance of our operating segments separately.

	<b>Aged Care Services</b>	<b>Medical Equipment</b>	<b>Corporate</b>	<b>Total</b>
<b>2010</b>				
Revenue from external customers	1,120,092	8,284,917	-	9,405,009
Reportable segment profit before income tax	280,382	788,931	(782,961)	286,352
Reportable segment assets	988,392	4,973,613	5,787,111	11,749,116
Reportable segment liabilities	621,771	3,131,716	4,490,418	8,243,905
<b>2009</b>				
Revenue from external customers	1,100,374	-	-	1,100,374
Reportable segment profit before income tax	67,092	-	(366,978)	(299,886)
Reportable segment assets	824,377	-	3,231,357	4,055,734
Reportable segment liabilities	791,538	-	130,894	922,432
<b>Reconciliation of reportable segment profit or loss</b>				
	<b>2010</b>	<b>2009</b>		
Total profit or loss for reportable segments	<b>286,352</b>	<b>(299,886)</b>		
Finance costs	<b>(224,899)</b>	<b>(44,230)</b>		
Share of profit or loss of associates	<b>34,038</b>	<b>35,025</b>		
Profit before tax from continuing operations	<b>95,491</b>	<b>(309,091)</b>		

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For the year ended 30 June 2010

**Note 21 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 2010	Ownership 30 June 2009
<b>Parent Entity</b>		
Paragon Care Limited		
<b>Subsidiaries</b>		
Lifetime Planning Pty Ltd	100%	100%
Tender Living Care Australia Pty Ltd	100%	100%
Paragaxis Pty Ltd	100%	100%
Iona Medical Products Pty Ltd	100%	-
Volker Australia 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.

*Disclosures relating to key management personnel are set out in note 22.*

**(d) Loan to related parties.**

The parent entity has provided intercompany loans its subsidiaries to 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.

	2010 \$	2009 \$
<b>Loans to:</b>		
Lifetime Planning Pty Ltd	257,697	297,375
Tender Living Care Australia Pty Ltd	187,877	211,336
Paragaxis Pty Ltd	2,823,774	1,632,271
Axishealth Pty Ltd	54,510	-
Iona Medical Products Pty Ltd	8,453	-
	<b>3,332,311</b>	<b>2,140,982</b>

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**Note 22 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:

	2010	2009
	\$	\$
Short term employee benefits	765,625	468,174
Post employment benefits	27,032	15,940
Others - short term benefits	4,383	-
Termination benefits	-	-
Share-based payments	20,000	-
<b>Total</b>	<b>817,040</b>	<b>484,114</b>

**b) Equity instrument disclosures relating to 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 table:

	Balance 1 July 2009	Shares acquired	Shares disposed	Other changes	Balance 30 June 2010
<b>Directors</b>					
S F Tanner	9,000,000	1,726,631	-	-	10,726,631
M A Simari	8,064,715	1,445,150	-	-	9,509,865
M C Newton	1,454,500	-	-	-	1,454,500
B A Cheong	-	29,090,909	^(1,200,000)	-	27,890,909
T L Blanche	-	24,215,908	-	-	24,215,908
<b>Other key management personnel</b>					
S J Woodruff	8,000,000	-	-	-	8,000,000
D Tomaras	1,428,571	857,143	-	-	2,285,714

^ Shares were transferred to Axishealth employees following the sale of the business to Paragon Care Ltd

	Balance 1 July 2008	Shares acquired	Shares disposed	Other changes	Balance 30 June 2009
<b>Directors</b>					
S F Tanner	3,350,129	5,649,871	-	-	9,000,000
M A Simari	3,645,834	4,418,881	-	-	8,064,715
M C Newton	1,454,500	-	-	-	1,454,500
<b>Other key management personnel</b>					
J M Osborne	200,000	-	-	-	200,000
S J Woodruff	-	8,000,000	-	-	8,000,000
D Tomaras	-	1,428,571	-	-	1,428,571

**Notes to and forming part of the Financial Statements**  
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**Note 22 Key management personnel disclosures (continued)**

*(i) 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:

	<b>Balance 1 July 2009</b>	<b>Options acquired</b>	<b>Options disposed</b>	<b>Options exercised</b>	<b>Other changes</b>	<b>Balance 30 June 2010</b>
<b>Directors</b>						
S F Tanner	5,287,500	1,000,000	-	-	-	6,287,500
M A Simari	5,544,194	1,000,000	-	-	-	6,544,194
T L Blanche	-	24,000,000	-	-	-	24,000,000
<b>Other key management personnel</b>						
D P Levin	-	2,000,000	-	-	-	2,000,000
S J Woodruff	9,000,000	-	-	-	-	9,000,000

	<b>Balance 1 July 2008</b>	<b>Options acquired</b>	<b>Options disposed</b>	<b>Options exercised</b>	<b>Other changes</b>	<b>Balance 30 June 2009</b>
<b>Directors</b>						
S F Tanner	787,500	4,500,000	-	-	-	5,287,500
M A Simari	911,459	4,632,735	-	-	-	5,544,194
<b>Other key management personnel</b>						
J M Osborne	55,000	-	-	-	-	55,000
S J Woodruff	1,000,000	8,000,000	-	-	-	9,000,000

**c) Other transactions with key management personnel**

The Axishealth 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 5 years from 1 January 2008 with an option for two further terms each 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 2010 was \$180,000.

From 1 July 2009 until 31 August 2009 the Registered Office of the Company was at the premises of Clinical Advisory Services Pty Ltd, an entity associated with Mr Tanner. The Company maintained an office at level 1, 71 Queens Rd, Melbourne and paid Clinical Advisory Services monthly rental for the use of the office. The rent paid was on commercial terms and the directors consider Mr Tanner's association with the arrangement between the Company and Clinical Advisory Services is on arm's-length terms and conditions. The total rent paid to Clinical Advisory Services by the Company for the year ended 30 June 2010 was \$1,000 (2009 \$6,000).



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**Note 23 Earnings per share**

	2010 Cents	2009 Cents
(a) Basic (loss) / Earnings per share (cents per share)	0.1	(0.3)
(b) Diluted (loss) / Earnings per share (cents per share)	0.0	(0.3)
<b>(c) Reconciliation of earnings used in calculating earnings per share</b>		
Profit / (Loss) used in calculating basic earnings per share	147,782	(311,910)
Profit / (Loss) used in calculating diluted earnings per share	147,782	(311,910)
Add interest savings on convertible notes	8,453	-
	156,235	(311,910)
	<b>2010 Number</b>	<b>2009 Number</b>
<b>(d) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	222,337,816	116,278,218
Adjustments for calculation of diluted earnings per share		
Options	161,566,320	-
Convertible Notes	25,625,000	-
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	409,529,136	116,278,218

**(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.

However, for the year ended 30 June 2009, the exercise of these options would have decreased the loss per share, and they were therefore not considered to be dilutive.

*(ii) Convertible Notes*

Convertible notes issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The convertible notes have not been included in the determination of basic earnings per share.

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	2010	2009
	\$	\$
<b>Note 24 Parent entity disclosures</b>		
<b>(a) Financial Information</b>		
Profit for the year	<u>(749,539)</u>	<u>(351,024)</u>
Total comprehensive income	<u>(729,539)</u>	<u>(345,660)</u>
Current Assets	<u>3,510,623</u>	2,955,134
Total Assets	<u>3,860,857</u>	<u>3,245,726</u>
Current Liabilities	<u>193,483</u>	162,266
Total Liabilities	<u>1,466,483</u>	<u>162,266</u>
Shareholders Equity		
Issued capital	9,659,520	9,657,377
Reserves	536,885	516,885
Retained earnings	<u>(7,804,031)</u>	<u>(7,090,802)</u>
Total Equity	<u>2,392,374</u>	<u>3,083,460</u>

**b) Guarantees**

The Company and its controlled entities as listed in note 21 have provided financial guarantees in respect of bank loans of subsidiaries amounting to \$3,542,500 (2009 - \$450,000), 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 \$58,545 (2009 - \$0)

**c) Other Commitments**

The Company has no commitments to acquire property, plant and equipment.

**d) Contingent Liabilities**

If on the second anniversary of the Tender Living Care acquisition the average Paragon Care Limited shares price is less than 3.5 cents then the Company must pay to the Vendor in cash, an amount equal to the amount by which the average Paragon Care Limited share price is less than 3.5 cents multiplied by 3,142,857. It is not possible to reliably estimate the outcome of this commitment.

**Note 25 Prior period error**

The goodwill and the corresponding trade and other payables liability in the Statement of Financial Position relating to the acquisition of Tender Living Care was understated in the 30 June 2009 year by \$147,143.

The error was a result of the goodwill being based on incorrect calculation of the consideration provided to Tender Living Care. The consideration was initially based on an initial payment of \$80,000 and issue of shares worth \$42,857. However, as part of the acquisition, if an earnings target of \$247,000 was met after the first year, cash of \$40,000 plus issue of 857,143 fully paid ordinary shares would be provided ("second payment"). Similarly, the same consideration would be provided if an earnings target of \$260,000 was met after the second year ("third payment"). On acquisition date, it was foreseeable that the earnings target would be likely met. Consequently, it has been deemed more appropriate to recognise the second and third payments as contingent considerations. The total consideration is \$270,000. As net assets acquired were \$nil, goodwill on consolidation is \$270,000.

## **Paragon Care Limited**

**ABN: 76 064 551 426**

### **Notes to and forming part of the Financial Statements**

For the year ended 30 June 2010

#### **Note 25 Prior period error (continued)**

The error has been corrected by restating the affected balances in the Statement of Financial Position for the 30 June 2009 comparatives as described above, with \$70,000 of the trade and other payables liability being classified as current and the other \$77,143 being classified as non-current.

In addition to the above, the second payment was treated as follows:

- The shares component was treated as a share based payment, with \$6,429 being taken up in the 31 December 2008 half-year period and \$12,857 being taken up in the 30 June 2009 half-year period.
- The cash component was treated as a salary expense, with \$30,000 being taken up in the 30 June 2009 half-year period.

The above treatment is incorrect given the second payment is being treated as part of the consideration of \$270,000.

The error has been corrected by restating the affected balances in the Statement of Financial Position for the 30 June 2009 comparatives as described follows:

- Reduce the trade and other receivables balance by \$50,000
- Increase the current trade and other payables balance by \$30,000
- Increase the non-current trade and other payables balance by \$37,413
- Increase the intangibles by \$147,143
- Reduce the contributed equity balance by \$19,286
- Reduce the accumulated losses by \$49,286 for the reduction in wages of \$30,000 and share based payments of \$19,286 in the Statement of Comprehensive Income for the year ending 30 June 2009.

## Paragon Care Limited

ABN: 76 064 551 426

### Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

#### Note 26 Business Combination

##### Axishealth Pty Ltd

On 2 July 2009 the Company acquired all of the issued capital of Axishealth Pty Ltd; a significant supplier of Durable Medical Equipment (DME) to the Australian health and aged care sector including hospitals, aged care facilities, general practitioners and pharmacies. Products include medication carts, electronic hospital beds, IV stands and sophisticated paediatric cots. The shares acquired are held by the Company's wholly owned subsidiary Paragaxis Pty Ltd. The consideration for the purchase of Axishealth Pty Ltd was comprised of a cash payment to the vendor of \$2,474,882 and the issue of 29,090,909 fully paid ordinary shares to the vendor.

##### Purchase Consideration

	\$
Cash and cash equivalent	2,474,882
Ordinary Shares in Paragon Care (29,090,909 at 2.2¢ each)	640,000
Total Consideration	3,114,882

Fair value was based on the volume weighted average price of Paragon Care Limited ordinary shares at the date of acquisition.

##### Fair value and carrying value of net assets acquired

	\$
Net working capital	394,475
Property, plant and equipment	293,482
Goodwill on consolidation.	2,426,925
Net Assets	<u>3,114,882</u>

##### Reconciliation to cash flow

Cash consideration	2,474,882
Debt funding	<u>(1,800,000)</u>
Net outflow of cash	<u>674,882</u>

##### Impact of acquisition on the results of the Group

Included in the profit for the period is \$535,893 attributable to Axishealth Pty Ltd. Revenue for the period includes \$7,786,153 in respect of Axishealth Pty Ltd.

If the acquisition of Axishealth Pty Ltd had occurred on 1 July 2009 the revenue and profit of the Group for the year ended 30 June 2010 would not have been materially different to what has been reported.

##### Iona Medical Products Pty Ltd & Volker Australia Pty Ltd

On 9 June 2010 the Company acquired all of the issued capital of Iona Medical Products Pty Ltd and Volker Australia Pty Ltd. Both Iona and Volker are established distributors of Durable Medical Equipment to the health and aged care sectors. The Iona / Volker product range of beds, trolleys, functional furniture, wheelchairs and mobility products complements and adds value to the Axishealth product range. Synergies will be achieved in administration, purchasing and through the expanded sales opportunities available through Axishealth's national distribution network. The consideration for the purchase of the Iona and Volker businesses comprised cash payments to the vendor of \$2,732,202

##### Purchase Consideration

	\$
Cash and cash equivalent	2,732,202
Total Consideration	<u>2,732,202</u>

**Notes to and forming part of the Financial Statements**  
For the year ended 30 June 2010

**Note 26 Business Combination (continued)**

**Fair value and carrying value of net assets acquired**

	\$
Net working capital	414,928
Property, plant and equipment	98,785
Goodwill on consolidation.	<u>2,218,489</u>
Net Assets	<u>2,732,202</u>

**Reconciliation to cash flow**

Cash consideration	2,732,202
Debt funding	<u>(2,732,202)</u>
Net outflow of cash	<u>-</u>

**Impact of acquisition on the results of the Group**

Included in the profit for the period is \$65,273 attributable to Iona Medical Products Pty Ltd & Volker Australia Pty Ltd. Revenue for the period includes \$499,084 in respect of Iona Medical Products Pty Ltd & Volker Australia Pty Ltd

If the acquisition of Iona Medical Products Pty Ltd & Volker Australia Pty Ltd had occurred on 1 July 2009 the revenue and profit of the Group for the year ended 30 June 2010 would have been \$14,751,513 and \$507,415 respectively. These amounts have been calculated using the Group's accounting policies.

**Note 28 Contingent liabilities**

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

**Note 29 Subsequent events**

No matters or circumstances have arisen since the year ended 30 June 2010 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.

**Directors' Declaration**

For the year ended 30 June 2010

In the directors' opinion:

- a) the financial statements and notes set out on pages 15 to 53 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 2010 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  
30 September 2010

## 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 ("the consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

# RSM Bird Cameron Partners

Chartered Accountants

## *Auditor's Independence Declaration*

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

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of 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 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1a.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the financial year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion the Remuneration Report of Paragon Care Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.



**RSM BIRD CAMERON PARTNERS**

Chartered Accountants



**R B MIANO**

Partner

30 September 2010  
Melbourne, VICTORIA



## Paragon Care Limited

ABN: 76 064 551 426

### Corporate Governance Statement

For the year ended 30 June 2010

The Board of Directors of Paragon Care Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Paragon Care Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Corporate governance of Paragon Care Limited is guided by the ASX Corporate Governance Council's (the Council's) "Corporate Governance Principles and Recommendations" (2nd edition as published in August 2007 and referred to in this statement as the "Recommendations"). The Paragon Care Limited Corporate Governance Statement provides specific information and disclosure of the extent to which the Company follows the Recommendations. Where a Recommendation has not been followed, the fact is disclosed, together with the reasons for the departure. Paragon Care Limited Corporate Governance Statement in past years was structured with reference to the Council's Corporate Governance Principles and Recommendations issued in March 2003. In August 2007 the Council issued a second edition of the Recommendations and the Company has structured its Corporate Governance Statement with reference to the Corporate Council's revised Principles, which are as follows:

- |             |  |
|-------------|--|
| Principle 1 | Lay Solid Foundations for Management and Oversight<br><i>Companies should establish and disclose the respective roles and responsibilities of board and management</i>                             |
| Principle 2 | Structure the Board to Add Value<br><i>Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</i>                 |
| Principle 3 | Promote Ethical and Responsible Decision-Making<br><i>Companies should actively promote ethical and responsible decision-making</i>  |
| Principle 4 | Safeguard Integrity in Financial Reporting<br><i>Companies should have a structure to independently verify and safeguard the integrity of their financial reporting</i>                            |
| Principle 5 | Make Timely and Balanced Disclosure.<br><i>Companies should promote timely and balanced disclosure of all material matters concerning the company.</i>   |
| Principle 6 | Respect the Rights of Shareholders<br><i>Companies should respect the rights of shareholders and facilitate the effective exercise of those rights</i>   |
| Principle 7 | Recognise and Manage Risk<br><i>Companies should establish a sound system of risk oversight and management and internal control.</i>   |
| Principle 8 | Remunerate Fairly and Responsibly<br><i>Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.</i> |

The implementation of these principles at the Company is detailed 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 sometimes competing objectives in the best interests of the group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the group is properly managed.

The responsibilities of the board include:

- providing strategic guidance to the group including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
  - organisational performance and the achievement of the group's strategic goals and objectives
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
  - monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors
  - appointment, performance assessment and, if necessary, removal of the managing director

**Corporate Governance Statement**

For the year ended 30 June 2010

- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the group's system for compliance and risk management reporting to shareholders
- ensuring appropriate resources are available to senior management.

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 executives.

**Principle 2 - Structure The Board To Add Value**

The Company is small and has five directors, two of whom are independent non executive directors (Mr Tanner, the Chairman, and Mr Newton). The three executive directors are the Managing Director, Mr Simari, Mr Brett Cheong the vendor of the Axishealth business and who is providing consulting services and the Managing Director of Axishealth Pty Ltd, Mr Tim Blanche. Details of the members of the board, their experience, qualifications, and term of office are set out in the directors' report under the heading Directors' qualifications, experience, and responsibilities.

The Board has taken every care to achieve a well-structured Board, which includes Directors with an appropriate range of skills and experience. Contrary to the Recommendation 2.1 the Company has a majority of executive directors, 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 Company is relatively small and in the early stages of refocusing its activities.

Recommendation 2.4 is that the Board should establish a nomination committee and Recommendation 2.5 proposes the Company should disclose the process for evaluating the performance of the Board, its committees and individual directors. At the present stage of development of the Company the directors consider it inappropriate to have a nomination committee or to have formal processes for the evaluation of Board performance. The Board is responsible for establishing the criteria for Board membership and acts as the nomination committee, reviewing Board membership and identifying suitable candidates to act as Directors consistent with the requirements of the Constitution and the nominee's ability to contribute to Board's duties and responsibilities.

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.

**Principle 3 - Promote Ethical And Responsible Decision-Making**

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;

- Professional and ethical conduct
- Dealings with suppliers, advisers and regulators
- Dealing with the community
- Dealing with other employees.

The Company and its directors promote ethical and responsible decision-making but have not established a formal code of conduct as suggested by Recommendation 3.1. The directors consider that at this early stage of the Company's transition it would be inappropriate to lock in a code of conduct without a clear understanding of the scope and nature of his future activities.

The Company's securities trading policy in summary, is that the Directors and senior officers of the Company may conditionally trade in Company securities at any time other than when they are in

## **Paragon Care Limited**

ABN: 76 064 551 426

### **Corporate Governance Statement**

For the year ended 30 June 2010

possession of or aware of any information of that may be price sensitive or during a "closed period". A "closed period" is 30 days immediately preceding the preliminary announcement of the Company's full year results or preceding the announcement of its half year results or, if shorter, the period between the end of full or half year and the preliminary announcement of the results. The policy also details procedures that need to be followed for executives or directors of the Company to trade in the Company's securities.

#### **Principle 4 - Safeguard Integrity In Financial Reporting**

The Company does not have an Audit Committee as the directors consider is more efficient for the full Board to consider financial and audit matters of the Company however this position will be reviewed over the coming year now that the scope of the Company's activities have expanded significantly and there are a majority of executive directors on the Board. The directors consider the relatively limited scope of operations and existing control systems provide sufficient safeguard for the integrity of the Company's financial reporting.

#### **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 quarterly.
- 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 does not have formal policies to guide compliance with ASX Listing Rule disclosure requirements. The directors fully appreciate their responsibilities under the ASX Listing Rules and, as the Company is relatively small, are able to make appropriate judgments on disclosure and fulfilling its obligations at a Board level.

#### **Principle 6 - Respect The Rights Of Shareholders**

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. The shareholders are responsible for voting on the appointment of the Directors in accordance with the Constitution of the Company. The external auditor attends the annual general meeting and is available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report. The Company does not have a communications policy as suggested by Recommendation 6.1. The present stage of development of the Company the directors consider it inappropriate to have a communications policy when the scope and nature of the Company's activities are in transition.

The Company has a web site to provide shareholders with access to company information and announcements.

#### **Principle 7 - Recognise And Manage Risk**

The Board monitors 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. The systems of risk oversight and management and internal control are directly monitored by the Board and the Company has not established formal policies for the oversight and management of material business risks as required under Recommendation 7.2 nor required management to design and implement the risk management and internal control systems to manage the company's material business risks as required by

**Corporate Governance Statement**  
For the year ended 30 June 2010

Recommendation 7.3. Following the acquisitions made during the past financial year, the Board will undertake a review of risk management within the Company.

The Board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Principle 8 - Remunerate Fairly And Responsibly**

***Remuneration Committee***

The Remuneration committee consists of the following directors:

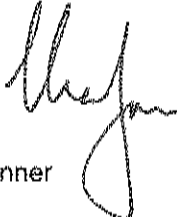
S F Tanner (Chair)  
M C Newton  
B A Cheong

Details of these directors' attendance at remuneration committee meetings are set out in the directors' report.

The 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.

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

On behalf of the Board



Shane Tanner

Melbourne, Victoria  
30 September 2010

**Paragon Care Limited**

ABN: 76 064 551 426

**Shareholder Information**

For the year ended 30 June 2010

The shareholders information set out below was applicable as at 6 September 2010.

**(A) Distribution of equity securities**

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

Number of Units	PGC	PGCOA	Unlisted Options	Convertible Notes
1-1,000	287	25		
1,001-5,000	157	54		
5,001-10,000	129	32		
10,000-100,000	321	97		3
100,001 and over	173	108	7	4
<b>Total Holders</b>	<b>1,067</b>	<b>316</b>	<b>7</b>	<b>7</b>

**(B) Equity security holders***Twenty largest quoted equity security holders:***Ordinary shares**

Name	Units	% of issued shares
BRETT CHEONG & LYNN CHEONG	25,000,000	11.24
TLB HEALTHCARE CONSULTING LTD PTY	24,000,000	10.79
MR SHANE FRANCIS TANNER & MRS ANNE MAREE TANNER	10,726,631	4.82
NATIONAL NOMINEES LIMITED	10,156,913	4.57
MR KEITH STERRY WOODRUFF	8,000,000	3.60
SEREC PTY LTD	7,750,000	3.49
NEWTON MEADOWS PTY LTD	6,855,000	3.08
NETWEALTH INVESTMENTS LIMITED	5,736,019	2.58
MUNGALA INVESTMENTS PTY LTD	4,980,000	2.24
CHARKAROO PTY LTD	4,798,803	2.16
MR MARK SIMARI	3,897,438	1.75
MELBOURNE CAPITAL LIMITED	3,750,000	1.69
BRETT ANTHONY CHEONG	2,890,909	1.30
INTERPRAC FINANCIAL PLANNING PTY LTD	2,650,000	1.19
MR GARRY CROLE	2,516,666	1.13
TRAYBURN PTY LTD	2,500,000	1.12
MR GREGORY STEPHEN VAWDREY & MRS CHERYL MARGARET VAWDREY	2,500,000	1.12
MELBOURNE CAPITAL LIMITED	2,400,000	1.08
TEKNOWCARE PTY LTD	2,285,714	1.03
ATTENOV PTY LTD	2,000,000	0.90
Total Top 20 PGC Shareholders	<u>135,394,093</u>	<u>60.90</u>
Total PGC Shares	222,337,816	
Top 20 %		60.9%

**Paragon Care Limited**

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**Shareholder Information**

For the year ended 30 June 2010

**PGCOA listed options**

<b>Name</b>	<b>Units</b>	<b>% of listed options</b>
TLB HEALTHCARE CONSULTING LTD PTY	24,000,000	16.13
SEREC PTY LTD	13,082,646	8.79
NATIONAL NOMINEES LIMITED	10,041,000	6.75
MR KEITH STERRY WOODRUFF	8,000,000	5.38
MELBOURNE CAPITAL LIMITED	7,400,000	4.97
NETWEALTH INVESTMENTS LIMITED	5,865,134	3.94
MR SHANE FRANCIS TANNER & MRS ANNE MAREE TANNER	5,287,500	3.55
NEWTON MEADOWS PTY LTD	4,682,500	3.15
GARMAK ENTERPRISES PTY LTD	3,221,875	2.17
MR GREGORY STEPHEN VAWDREY & MRS CHERYL MARGARET VAWDREY	3,000,000	2.02
MUNGALA INVESTMENTS PTY LTD	2,193,121	1.47
CHARKAROO PTY LTD	2,166,069	1.46
HSBC CUSTODY SERVICES (AUSTRALIA) LIMITED	2,030,826	1.36
MR ADRIEN WING & MRS MICHELLE WING	2,000,000	1.34
MR DARRYL LEVIN	2,000,000	1.34
ATTENOV PTY LTD	2,000,000	1.34
MR STEVEN JOHN MCCARTHY	2,000,000	1.34
MELBOURNE CAPITAL LIMITED	1,875,000	1.26
CORPORATE PROPERTY SERVICES PTY LTD	1,600,000	1.08
TRAYBURN PTY LTD	1,250,000	0.84
Total Top PGCOA Holders	<u>103,695,671</u>	<u>69.68</u>
Total PGCOA Options	148,816,320	
Top 20 %		69.7%

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Options expiring 30 May 2013	10,250,000	7
Convertible notes expiring 30 June 2012	1,025,000	7

Option and convertible note holders holding more than 20% of securities:

<b>Name</b>	<b>Number of options</b>	<b>% of total issued</b>	<b>Number of convertible notes</b>	<b>% of total issued</b>
Rapini Pty Ltd	6,000,000	58.5%	600,000	58.5%

**Paragon Care Limited**

ABN: 76 064 551 426

**Shareholder Information**

For the year ended 30 June 2010

**(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
- b) *Options*  
No voting rights
- c) *Convertible notes*  
No voting rights

**(D) Substantial holders**

<b>Name</b>	<b>Units</b>	<b>% of issued ordinary shares</b>
Brett Cheong Group	27,890,909	12.5
Tim Blanche Group	24,521,222	11.1
Angus Edgar Group	19,652,482	8.8
Total Substantial Shareholders	<u>72,064,613</u>	<u>32.4</u>
Total PGC Shares	222,337,816	

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

Brett Cheong Group	
Brett & Lynn Cheong	25,000,000
Brett Cheong	2,809,909
Tim Blanche Group	
TLB Healthcare Consulting Pty Ltd <Blanche family a/c>	24,000,000
TLB Healthcare Consulting Pty Ltd <Blanche super fund a/c>	521,222
Angus Edgar Group	
Mungala Investments Pty Ltd	5,752,482
Serec Pty Ltd	7,750,000
Melbourne Capital Limited	6,150,000