



**EYECARE PARTNERS  
ABN: 47 006 505 880  
AND CONTROLLED ENTITIES**

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

## CORPORATE DIRECTORY

### Directors

Mr Finian MacCana (Chairman)  
Mr Raymond Fortescue  
Mr Robert Rollinson  
Mr Colin Coverdale

### Chief Executive Officer

Mr Michael Kotow

### Company Secretary

Ms Tracey Hutchinson

### Registered Office

232 Bay Street  
Brighton VIC 3186

Telephone: (03) 9530 8188  
Facsimile: (03) 9530 8199

### Principal Business Address (Head Office)

232 Bay Street  
Brighton VIC 3186

Telephone: (03) 9530 8188  
Facsimile: (03) 9530 8199  
Website: [www.eyecarepartners.com.au](http://www.eyecarepartners.com.au)

### Auditor

Pitcher Partners  
Level 19  
15 William Street  
Melbourne VIC 3000

### Share Registry

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnson Street  
Abbotsford VIC 3067

General enquiries: 1300 368 825  
Overseas holders: +61 3 9415 4617  
Website: [www.computershare.com](http://www.computershare.com)  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

### Legal Adviser to the Company

Middletons Lawyers  
Level 25, Rialto South Tower  
525 Collins Street  
Melbourne VIC 3000

### Bankers to the Company

National Australia Bank Limited  
Level 2  
151 Rathdowne Street  
Carlton VIC 3053

Rockwell Bates  
Level 4 189 Flinders Lane  
Melbourne Vic 3000

**EYECARE PARTNERS LTD AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED  
30 JUNE 2010**

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## EYECARE PARTNERS LTD AND CONTROLLED ENTITIES

### CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Fellow Shareholders

This year has been a watershed for your company. When we first started out in 2007 we were very aware that the optometry market was going to change significantly with changes in legislation, increased consolidation and the entry of a major international retail chain. What we didn't expect was the Global Financial Crisis which continues to affect retail generally. In particular retail optometry is experiencing very difficult trading conditions. Suppliers, large chains, and the smaller independent practitioners are all reporting a downturn in revenue.

Eyecare Partners Ltd has not been immune to these pressures. As this financial year report shows there has been an increase in revenue of 8.3% mainly due to the contribution of prior year acquisitions. Like for like sales were up 0.6% which is very pleasing in light of the current competitive and retail environment. Gross profit increased by \$2.1m which was 11.5% above the prior year and gross margins were 68.3%. The increase in revenue has been more than offset by increased costs, in particular wages and an increase in cost of goods. The operating loss of \$4.4m is due to impairment charge of \$4.9m and personnel charges are up \$1.6m an increase of 13.3%.

Increased pressure on wages continues due to shortages in the industry. However the reaction to our internship program has been pleasingly positive and we now have 5 optometry graduates who will be shortly joining us. This reflects our continuing commitment to providing a nurturing and rewarding working environment to those optometrists who are focused on providing excellence in clinical care.

Management under the leadership of Michael Kotow has instigated action which I am confident will continue to demonstrate a positive impact on the performance of the company. Recently we revisited our previous strategy and recalibrated it reflecting the changes in the optical market. The strategic plan identifies key drivers that need to be implemented to optimize the performance of Eyecare Partners. Each practice has been intimately involved in the budget process and empowered with additional resources to ensure improved performance. This active involvement of staff has improved the culture. We are investing in new IT which will greatly improve efficiency, allowing us to better monitor business performance and enable more timely feedback to each practice. The addition of our new business development manager and HR manager will provide assistance implementing these new changes which are vital for the company's prosperity.

The hard decisions have been made regarding impairment and reallocating resources to where we can get the best return for all stakeholders. Discussions with our financiers have been positive and we have their confidence that your company will emerge into profitability and continue to grow.

The number of practices and businesses that approach us to join the company increases weekly demonstrating confidence in our model. However prudence dictates that we must ensure we have the best platform in place to support further acquisitions so we can guarantee a solid and bright future for the company.

I want to thank Michael Kotow, our new CEO, whose expertise and dedication has been an inspiration in refocusing the company, Tracey Hutchinson who so unstintingly gives her time and hard work, and to my fellow directors Colin Coverdale, Ray Fortescue and Rob Rollinson. I would also like say thank you to all those at national office whose endeavours are so rarely seen and finally all those working in the practices. It is these people who are the deliverers of the services and goods we provide. You are the face of Eyecare Partners.



Finian MacCana  
B.Sc(Hons), AMCT, FCOptom, M.Sc., FVCO, FAICD  
Chairman  
28 September 2010

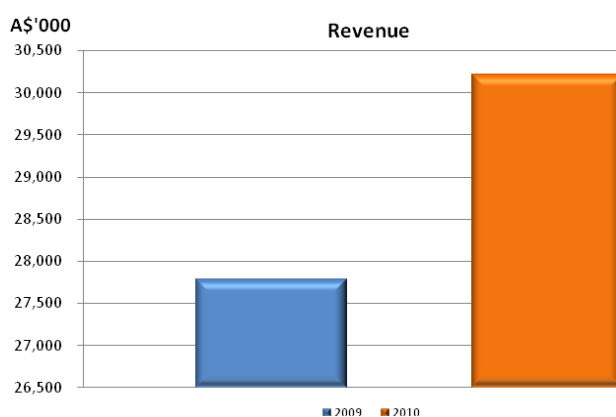
## OPERATIONAL HIGHLIGHTS

### Reviewing the Results

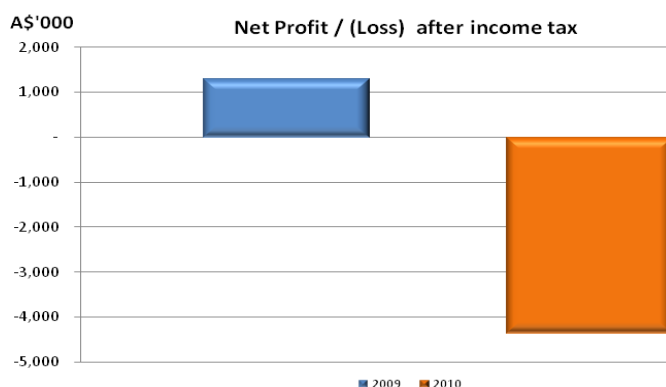
This year the Company faced a number of challenges both externally and internally. Externally the operating environment in this financial year has been typified by the Global Financial Crisis and increasing competition from new and existing franchisors and competitors in the retail optometry market. Internally there were a number of significant changes in personnel with the appointment of two new board members and the appointment of a new Chief Executive Officer.

In spite of the above changes in the operating environment, revenue from operations totalled \$30.2m compared to the prior year revenues of \$27.9m representing an increase of 8.3%. Organic sales growth from practices when measured on a like for like basis increased 0.6% for the year and the balance of sales growth is attributed to the full year effect of acquisitions completed in the 2008/09 financial year, which records sales from the date of acquisition only.

Gross profit increased by \$1.4m which was 7.2% above the prior year and Gross margins were 68.3%.



The operating loss before income tax was \$4.13m compared to the prior year profit before tax of \$1.96m and net loss after tax was \$4.37m compared to the prior year profit after tax of \$1.38m. Main contributors to the operating loss were a \$4.9m impairment charge and personnel charges were up \$1.6m an increase of 13.3%.



During the course of the financial year the Company did not acquire any additional optometry practices.

During the year, the Company did not draw down any additional amounts from its financing facilities for the funding of acquisitions. Total available facilities are \$10.5m with \$6.1m utilised as at the reporting date of 30 June 2010. Cash reserves were \$0.838m as at the close of the reporting period.

## **Strategy**

Recently the company revisited the previous strategy and recalibrated it reflecting the changes in the optical market. The strategic plan identifies key drivers that need to be implemented to optimise the performance of Eyecare Partners. A key element of the strategy is to provide a high standard of clinical eye health care as the basis for differentiating the Company's selling proposition, as well as being the core of the Company's business ethic. Key projects have been identified to help drive the business and as a result the Company will be investing in new IT which will greatly improve efficiency, allowing the ability to better monitor business performance and enable more timely feedback to each practice. The addition of a new Business Development manager and HR manager will provide assistance implementing these new changes which are vital for the company's prosperity.

The Company has representation in all mainland states of Australia and is still keen to pursue growth through quality acquisitions. The acquisition programme continues to progress and further acquisitions in capital cities are being assessed as well as additional practices which are proximate to existing locations so as to take advantage of cost synergies, particularly in advertising and people costs.

In combination, these strategies, when fully executed, will provide a stream of opportunities for increasing the value delivered to shareholders.

## **Looking Forward**

The Company will continue to pursue the creation of increasing shareholder value through execution of the strategies discussed in the foregoing.

To this end the Company has recently initiated a review of its organisational and management structures, its operating policies and its management practices. The objectives of the review are to identify and develop innovative opportunities for enhanced effectiveness and efficiencies in order to hasten growth in profitability and to increase employee satisfaction. Additional staff have been employed to assist in this endeavour and the outcomes will be implemented speedily to increase shareholder returns as early as possible. The effects of these initiatives will start to flow through over the coming months and the Company looks forward to updating the shareholders.

**EYECARE PARTNERS LTD AND CONTROLLED ENTITIES  
DIRECTORS' REPORT**

The directors present their report together with the financial report of the consolidated entity consisting of Eyecare Partners Ltd and the entities it controlled, for the financial year ended 30 June 2010 and auditor's report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

**Principal Activities**

The company owns and operates optometry practices providing optometric health services and optical products to patients. There has been no significant change in the nature of these activities during the financial year.

**Results**

The consolidated loss after income tax attributable to the members of Eyecare Partners Ltd was \$4,372,000 (2009: Profit \$1,384,000).

**Review of Operations**

The Company achieved total revenue of \$30.2m for the financial year compared to \$27.9m from the prior year, reflecting the effect of organic growth and the full year revenue of previously acquired practices. The operational margins remained within anticipated levels, with additional costs being associated with the acquisition of new optometry practices for the group and increased employment and premises costs.

The group now has a total of 41 practices across Australia.

**Significant Changes in the State of Affairs**

There have been no significant changes in the consolidated entity's state of affairs during the financial year.

**After Balance Date Events**

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

**Likely Developments**

Disclosure of information regarding likely developments in the operations of the group in future financial years has been made in part in the Chairman's Letter to shareholders and operational highlights of this annual report. Any further such disclosure and the expected results of these operations is likely to result in unreasonable prejudice to the company and has accordingly not been disclosed in this report.

**Environmental Regulation**

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

**Dividend Paid, Recommended and Declared**

No dividend has been paid or declared during the year (2009: \$763,000).

## EYECARE PARTNERS LTD AND CONTROLLED ENTITIES DIRECTORS' REPORT continued

### Shares Under Option

Unissued ordinary shares of Eyecare Partners Ltd under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option	Issue Price of Shares	Expiry Date of Options
03/07/2007	18,921,743	0.20	30/09/2010
3/07/2007	13,098,607	0.20	30/09/2010
29/11/2007	100,000	0.20	30/09/2010
18 & 22/08/2008	1,500,000	0.20	30/09/2010
01/12/2008	1,281,000	0.20	30/11/2011

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

### Shares Issued On Exercise of Options

No shares of Eyecare Partners Limited were issued during or since the end of the financial year as a result of the exercise of an option.

### Indemnification and Insurance of Directors, Officers and Auditors

Rule 100 of the Company's Constitution requires the Company to indemnify each Director, company secretary, executive officer or employee of the Company, to the extent permitted by law, against liability incurred in or arising out of the conduct of the business of the Company or the discharge of the duties of the Director, company secretary, executive officer or employee. The Company has entered into Deeds of Indemnity with each of its current Non-executive and Executive Directors. These deeds address the matters set out in Rule 100 of the Company's Constitution.

Eyecare Partners has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the consolidated entity. During the financial year, the consolidated entity has paid premiums amounting to \$18,098 insuring all the Directors and the officers against claims in relation to their roles as Directors or Officers and costs of defending those claims.

### Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

### Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director of Eyecare Partners Ltd at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

**EYECARE PARTNERS LTD AND CONTROLLED ENTITIES DIRECTORS' REPORT continued**



Board Members & Executive Officers left to right: Michael Kotow, Raymond Fortescue, Robert Rollinson, Tracey Hutchinson, Finian MacCana and Colin Coverdale

**Finian MacCana**, B.Sc(Hons), AMCT, FCOptom, M.Sc., FVCO, FAICD

**Appointment date:** 14 May 2007

Finian MacCana is an optometrist and a founding shareholder of Optomeyes, a group of 11 optometry practices in Tasmania. Mr MacCana was a non-executive director until May 2009, when he began to provide optometric services to the Group.

He is a Fellow of the British College of Optometrists and the Victorian College of Optometry. He is a Fellow and Councillor of the Australian Institute of Company Directors.

**Committee Membership:** Audit Committee

**Special Responsibilities:** Chairman of the Board

**Other Directorships:** Advanced Ocular Systems Limited : From: April 2004 to May 2007

**Raymond Fortescue**, BOptom(Hons), FCLSA, MAICD

**Appointment date:** 13 July 2007

Ray Fortescue is an optometrist practicing full time in Ramsgate Beach, Sydney. He commenced work as an employed optometrist in 1979 and opened his practice at Ramsgate Beach in 1980. He is a member of the Australian Optometric Panel and the Australian Institute of Company Directors and a non-executive Director of Eyecare Plus Limited.

**Committee Membership:** Audit Committee

**Other Directorships:** Eyecare Plus Ltd

**Colin Coverdale**, FAIM, FNZIM, MAICD, MIMC

**Appointment date:** 1 November 2009

Colin Coverdale had an impressive career in British Petroleum, holding senior positions in New Zealand, Australia and the South Pacific, prior to running his own information technology company. He joined KPMG in New Zealand as a Director of Business Strategy, and has since held positions as CEO of a retail stationery and bookstore chain, a telecommunications software organisation, and an electronic measurement company, Managing Director of a retail store design and building group and a steel fabrication company.

He is currently the founder and Director of the Opportune Group, a business strategy consultancy based in Sydney and holds

## EYECARE PARTNERS LTD AND CONTROLLED ENTITIES DIRECTORS' REPORT continued

several directorships, including not for profit and health-related sectors. He is currently President of the NSW Institute of Management Consultants.

Mr Coverdale is an independent director.

**Committee Membership:** Audit Committee  
**Special Responsibilities:** Chairman of Audit Committee  
**Other Directorships:** Nil

**Robert Rollinson**, BE(Hon), M Eng, Grad Dip Mgmt, FIE Aust, CPEng  
**Appointment date:** 3 May 2010

Bob Rollinson is a business executive with over 40 years experience.

He has held chief and senior executive positions in companies in Australia and overseas mainly focused in the energy, utilities, infrastructure and finance sectors in companies including Pacific Power, National Power, BurnVoor Partners, Chase Manhattan Bank and JP Morgan. Prior to retiring from full time employment in 2009, he spent the previous seven years with the Macquarie Group (Macquarie Bank) in senior roles in Australia, USA and Canada.

During his career he has been deeply involved with developing and transitioning businesses and driving operational improvements. He also has extensive experience in business sales, acquisitions, mergers and financing.

Bob is an experienced board member of private and publicly listed companies. Currently he is Chairman of the Sydney Catchment Authority and has held Board positions in publicly listed companies including energy retailer, Australian Energy (ASX Listed), Macquarie Power Income Fund (TSX Listed) and a number of non-listed companies.

Mr Rollinson is an independent director.

**Committee Membership:** Audit Committee  
**Special Responsibilities:** Nil  
**Other Directorships:** Sydney Catchment Authority

**Anthony Larkin**, FCPA, FAICD  
**Appointment date:** 21 August 2007                      **Resignation date:** 18 January 2010

Tony Larkin is an experienced professional company Director, whose executive career encompassed chief financial officer roles in two of Australia's top 50 corporations. His executive roles covered a broad range of industries including steel, minerals, beverages, chemicals, petrochemicals and plastics and fertilisers.

He was Director and Chair of the Audit and Risk Committee at Incitec Pivot Limited, and Director and Chair of the Audit and Risk Committee at Corporate Express Australia Limited.

Mr Larkin was an independent director.

**Committee Membership:** Audit Committee  
**Special Responsibilities:** Chairman of Audit Committee  
**Other Directorships:** Ausmelt Limited : From June 2003 to Nov 2007  
OZ Minerals Limited: From Mar 2004 to April 2009

## EYECARE PARTNERS LTD AND CONTROLLED ENTITIES DIRECTORS' REPORT continued

Corporate Express Australia Limited: From July 2004 to present  
Incitec Pivot Limited: From June 2003 to present  
Oakton Limited: From September 2008 to present  
Ausmelt Limited : From June 2003 to Nov 2007

**Anthony Hanks**, OD(Boston), BOptom(Hons), FAAO, FCLSA

**Appointment Date:** 13 July 2007

**Resignation date:** 29 October 2009

Tony Hanks is a Doctor of Optometry, and founded a group of practices in Port Macquarie and Queensland. His career in optometry has spanned corporate and private practice roles, research and teaching roles. Tony Hanks is the founder and Chairman of Eyecare Plus Limited and the founding member of the Australian Optometric Panel.

In 2006, the Optometrists Association of Australia awarded him the Josef Lederer Award for Excellence in Optometry and recently awarded an OA for services provided to the optometry profession.

**Committee Membership:** Audit Committee

**Other Directorships:** Eyecare Plus Ltd

**Sandra Andersen**, LLB, CPA, F Fin, MAICD

**Appointment date:** 27 July 2007

**Resignation date:** 18 January 2010

Sam Andersen is a lawyer and accountant with a history in banking and corporate finance. She held senior executive finance and general management operational roles in large financial institutions prior to commencing a corporate advisory business.

She has advised several small cap companies in relation to acquisitions and acquisitions integration, investor relations and capital raising, and has held the roles of Chief Operations Officer and Chief Financial Officer for small cap companies in Victoria and Western Australia.

**Special Responsibilities:** Managing Director

**Other Directorships:** Rural Finance Corporation Limited

### **Company Secretary**

**Tracey Hutchinson**, B.Bus (Acctg), MBA

**Appointment date:** 19 November 2008

Tracey Hutchinson joined Eyecare Partners in October 2008 as Chief Financial Officer. She has since been appointed Company Secretary.

**EYECARE PARTNERS LTD AND CONTROLLED ENTITIES DIRECTORS' REPORT continued**

**Directors' Meetings**

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Finian MacCana	4	4	2	2
Ray Fortescue	4	4	2	2
Colin Coverdale	3	3	1	1
Robert Rollinson	1	1	-	-
Anthony Larkin	2	2	1	1
Anthony Hanks	1	1	1	1
Sandra Andersen	2	2	1	1

**Directors' Interests in Shares or Options**

Directors' relevant interests in shares of Eyecare Partners Ltd or options over shares in the company are detailed below.

Directors' relevant interests in:	Ordinary Shares of Eyecare Partners Ltd	Options over shares in Eyecare Partners Ltd
Finian MacCana	3,591,492	2,133,334
Ray Fortescue	9,601,379	2,590,141
Colin Coverdale	-	-
Robert Rollinson	-	-
Anthony Larkin	-	200,000
Anthony Hanks	28,346,220	6,220,361
Sandra Andersen	6,256,889	1,300,000

**Directors' Interest in Contracts**

Directors' interests in contracts are disclosed in note 27 to the financial statements.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

**Non-Audit Services**

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:

	2010 \$	2009 \$
Taxation and other services	42,310	16,046

## EYECARE PARTNERS LTD AND CONTROLLED ENTITIES DIRECTORS' REPORT continued

### Remuneration Report

#### **Remuneration Policies**

The nature and amount of remuneration of Directors and key management personnel is determined by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated Directors and employees who can enhance company performance through their contributions and leadership.

For key management personnel, the company provides a remuneration package that incorporates both fixed remuneration and share-based or cash incentive remuneration which is aligned to the company and personal performance. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment as at the date of payment thereby aligning Director, key management and shareholder interests. The Board considers a remuneration policy based solely on short-term returns may not be beneficial to the long-term creation of wealth by the company for shareholders.

Non-executive Directors receive fees and do not receive bonus payments. Where options have been granted they are disclosed in this report.

The Board determines the amount for remuneration, subject to the limit for fees approved by shareholders.

The names and positions of each person who held the position of Director at any time during the financial year is provided above. The named executives in the consolidated group who received the highest remuneration for the financial year are:

<b>Executives</b>	<b>Position</b>
Sandra Andersen	Managing Director
Raymond Fortescue	Director
Anthony Hanks	Director
Tracey Hutchinson	Company Secretary and Chief Financial Officer
Michael Kotow	Chief Executive Officer
Mark Overton	General Manager Practice Operations
Marie Pastore	General Manager Human Resources

EYECARE PARTNERS LTD AND CONTROLLED ENTITIES DIRECTORS' REPORT continued

**Directors' Remuneration:**

2010	Short-Term		Post employment	TOTAL	Total performance related
	Salary fees \$	Cash Bonus \$	Superannuation \$	\$	%
Finian MacCana	55,046	-	4,954	60,000	-
Anthony Larkin#	32,110	-	2,890	35,000	-
Sandra Andersen#	561,150	25,000	10,003	596,153	4.19%
Raymond Fortescue	217,242	-	19,551	236,793	-
Anthony Hanks#	18,349	-	1,651	20,000	-
Colin Coverdale^	21,407	-	1,927	23,334	-
Robert Rollinson^	6,116	-	550	6,666	-
	<b>911,420</b>	<b>25,000</b>	<b>41,526</b>	<b>977,946</b>	-
<b>2009</b>					
Finian MacCana	56,898	-	3,440	60,338	-
Anthony Larkin#	55,046	-	4,954	60,000	-
Sandra Andersen#	206,728	65,283	18,181	290,192	24%
Raymond Fortescue	195,271	-	17,574	212,845	-
Anthony Hanks#	136,659	-	1,789	138,448	-
	<b>650,602</b>	<b>65,283</b>	<b>45,938</b>	<b>761,823</b>	-

# Sam Anderson and Anthony Larkin resigned as directors on 18 January 2010. Anthony Hanks resigned as a Director on 29 October 2009. Details of their remuneration are to those dates.

^ Colin Coverdale and Robert Rollinson were appointed as directors on 1 November 2009 and 3 May 2010 respectively. Details of their remuneration are from those dates.

**Executives' Remuneration:**

2010	Short-Term		Post employment	TOTAL	Total performance related
	Salary fees \$	Cash Bonus \$	Superannuation \$	\$	%
Michael Kotow^	53,656	-	4,829	58,485	-
Tracey Hutchinson	150,000	7,500	13,500	171,000	4.39
Mark Overton#	40,226	-	3,048	43,274	-
Marie Pastore#	51,775	-	7,311	59,086	-
	<b>295,657</b>	<b>7,500</b>	<b>28,688</b>	<b>331,845</b>	-
<b>2009</b>					
Mark Overton#	105,857	-	9,527	115,384	-
Tracey Hutchinson	109,615	-	9,865	119,480	-
	<b>215,472</b>	-	<b>19,392</b>	<b>234,864</b>	-

# Mark Overton and Marie Pastore resigned as employees on 24 September 2009 and 19 March 2010 respectively. Details of their remuneration are to those dates.

^ Michael Kotow was appointed as CEO on 2 March 2010. Details of his remuneration is from that date.

**EYECARE PARTNERS LTD AND CONTROLLED ENTITIES DIRECTORS' REPORT continued**

In accordance with the remuneration policy described above, options granted as remuneration are subject to continuing service with the company. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. No options previously granted as remuneration have lapsed during the year.

**Rounding of Amounts**

The amounts contained in the report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Finian MacCana', written in a cursive style.

Finian MacCana  
Chairman

Melbourne  
28 September 2010

**EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES**  
**ACN: 006 505 808**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**To the Directors of Eyecare Partners Limited.**

In relation to the independent audit for the year ended 30 June 2010, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.
- (ii) No contraventions of any applicable code of professional conduct.



P A JOSE  
Partner  
28 September 2010



PITCHER PARTNERS  
Melbourne

## CORPORATE GOVERNANCE

### General

The Board of Directors is responsible for the overall management and governance of the Company.

The Company is committed to the principles underpinning best practice in corporate governance. Where appropriate to the circumstances of the Company and consistent with the interests of the Shareholders, the Company will endeavour to comply with all of the guidelines under the ASX Corporate Governance Recommendations.

A brief summary of the Company's main corporate governance policies and practices is outlined below. In addition, the following policies and procedures are available for viewing on the Company's website [www.eyecarepartners.com.au](http://www.eyecarepartners.com.au)

- Role of the Board
- Structure of the Board
- Responsible decision making and Code of Conduct
- Safeguarding integrity in financial reporting
- Timely and balanced disclosure
- Risk recognition and management
- Board performance
- Securities Trading policy
- Shareholder rights and communications
- Recognition of shareholder interests
- Remuneration responsibility
- Summary of procedure for selection of External Auditor and rotation of Engagement Partner

### Board of Directors

The skills, experience and expertise relevant to the position of each Director and their term of office are detailed on pages 7-9 in the Directors' Report. The Board currently comprises four Directors who have a variety of capabilities, skills, knowledge and experience, and particularly monitoring the integrity of the financial statements of the Company and reviewing the strategic direction of the group.

In accordance with the Company's constitution there must be a minimum of three Directors and may only be a maximum of twelve Directors. The Board comprises both executive and non-executive Directors, with the Company aiming to have a majority of independent non-executive Directors. The Board is chaired by an executive Director. The company is cognisant of the ASX principles regarding board independence, however due to the size of the company it is not yet practical to have an independent chairman of the board. The Directors believe the skill base of the current Directors is appropriate and adequate for the Eyecare Partners group at its present size and stage of development. The Board will continue to monitor the need for additional skills on the Board and make further appointments as appropriate.

The criteria for identifying and appointing suitable candidates to the Board will include the quality of the individual, experience and achievement, credibility with the Company's scope of activities, intellectual ability to contribute and the ability to undertake Board duties and responsibilities.

### Role of the Board

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of Shareholders.

The Board strives to create Shareholder value and ensure that Shareholders' funds are safeguarded. The Board Charter sets out the Board's purpose, powers, and specific responsibilities. The key responsibilities of the Board include:

- Corporate governance of the Company including its strategic direction and financial objectives, establishing goals for management and monitoring the attainment of these goals;
- Reporting to Shareholders and the market (Australian Securities Exchange);
- Approving strategic plans, key operational and financial matters, as well as major investment and divestment proposals;
- Approving nominations of Directors to the Board and appointment of key executives;
- Evaluating and rewarding senior management performance and ensuring executive succession planning;
- Ensuring that Directors have an understanding of the Company's business;
- Ensuring management maintains a sound system of internal controls to safeguard the assets of the Company;

**CORPORATE GOVERNANCE continued**

- Monitoring the performance of the Company;
- Appointing and removing the Managing Director/Chief Executive Officer;
- Determining Directors fees;
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary;
- Receiving and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance, OH&S policies, community and environmental issues;
- Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestures, together with any recommendations from management associated with these activities.

With the agreement of majority of Directors, Directors may avail of independent legal advice at the expense of the Company.

**Board Meetings**

During the 2009/2010 financial year, the Board met four times to review matters of the company's business activities and key strategies and business plans of the company. Materials for Board and Board Committee meetings are circulated to the Directors in advance.

**Conflict of Interest**

In order to ensure that any 'interests' of a Director in a particular matter to be considered by the Board are brought to the attention of the Board, each Director is obliged to immediately disclose to the Board any fact or circumstance about him/herself which, if known, may have an adverse impact on Eyecare Partners reputation or public profile. Each Director must keep the Board advised of any interests that conflict, or could be perceived to interfere or conflict, with the exercise of the Director's judgment.

**Performance Evaluation**

The performance of the Board as a whole and each of its committees are reviewed against the requirements of their respective charters.

The performance evaluation of the Board as a whole is conducted annually, the most recent being in October 2009. The review process comprised:

- a self-evaluation survey completed by individual directors;
- a questionnaire/feedback from senior executives in relation to their dealings and interface with the Board;
- individual discussions between the Board chair and all directors and senior executives, using the summarised results of the completed surveys; and
- a confidential report to the Board of the collated results of the process for discussion/consideration.

Performance of the Board was assessed against a range of qualitative and quantitative criteria, covering the following focus areas:

**Board as a whole**

1. Strategy and planning
2. Board structure and role
3. Meeting process
4. Performance monitoring
5. Board and director responsibilities

During the performance assessment, opportunities for continuing education for Directors are identified and offered to Directors.

## **CORPORATE GOVERNANCE continued**

### **Managing Director & other senior executives**

The Board of Directors reviews the performance of the Managing Director / Chief Executive Officer and reviews the process for reviewing the performance of senior executives. The Managing Director / Chief Executive Officers' performance is judged against the approved strategic plan and the corporate and personal key performance indicators established for the Managing Director / Chief Executive Officer on an annual basis. The last review of performance of the Managing Director was conducted in December 2009, and the review of the performance of the Managing Director / Chief Executive Officer is conducted annually.

The Managing Director / Chief Executive Officer assesses the performance of senior executives by reference to corporate, divisional and personal key performance indicators established for the respective senior executives and approved by the Board of Directors on an annual basis.

### **Committees of the Board**

The Board has established the following Committees:

#### **Audit Committee**

The Audit Committee comprises all Board Members and also encompasses Risk Management. The Chairman of the Committee is Colin Coverdale who is a non-executive Director with skills and experience in finance, risk management and corporate governance. The Chairman of the Board may not be the Chairman of the Audit Committee. The primary responsibility of this Committee is to monitor the integrity of the financial statements of the Company, and to review and monitor the Company's internal financial and operations controls.

#### **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee comprises all board members and also encompasses nomination responsibilities. The Chairman of the Board is the Chairman of the Remuneration and Nomination Committee. The primary responsibility of the committee is to monitor and approve remuneration of the Company's executives, including securities and benefit plans, remuneration strategies and policies for the broader workforce of the company and nominations and selection of board members. There were no separate meetings held during the year, all relevant discussions were held during board meetings.

### **Policies and Procedures**

#### **Continuous Disclosure Policy**

The Company has a continuous disclosure policy so as to comply with its continuous disclosure obligations as a company listed on the Australian Securities Exchange. Through the Company's Continuous Disclosure Policy, Eyecare Partners demonstrates its commitment to continuous disclosure. The Policy reflects relevant obligations under applicable ASX Listing Rules and legislation. The aims of this policy are to:

- Report continuous disclosure matters to the Board;
- Assess new information and co-ordinate any disclosure or releases to the Australian Securities Exchange, or any advice required in relation to that information, in a timely manner;
- Provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations; and
- Ensure that employees, consultants, associated entities and advisers of the Company understand the obligations to bring material information to the attention of the Board.

#### **Securities Trading Policy**

The Company has a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the Corporations Act 2001.

**CORPORATE GOVERNANCE continued**

**Risk Management Policy**

The practices have local policies in place and the Board is developing group wide policies and practices which provide that the material risks facing the Company are adequately identified, assessed, monitored and managed throughout the whole organisation. These include:

- Board papers containing relevant operational, commercial, strategic, financial and legal information circulated to Directors before each meeting;
- Actual results for the Company presented to the Board at each Board meeting, compared against budget and forecast, with revised forecasts if required;
- Financial authority limits set by the Board; and Insurance cover appropriate to the size and nature of the Company's operations to reduce the financial impact of any significant insurable losses.

**Code of Conduct**

Eyecare Partners Limited has a code of conduct which sets out the expectations placed on Directors, executive officers and employees in their business dealings. The Code of Conduct requires high standards of personal integrity and honesty in all dealings, a respect for the privacy of patients and others and observance of the law. This code reinforces an already strong ethical culture for the benefit of all stakeholders.

**Shareholder Communications Strategy**

The Board aims to ensure that the shareholders are informed of all major developments affecting Eyecare Partners' state of affairs, notably but not solely financial and operational information needed by a normal investor to make an informed assessment of the Company's activities. Information is communicated to Shareholders through:

- Continuous disclosure in the form of public announcements on the Australian Securities Exchange;
- Annual and quarterly reports to Shareholders;
- Investor briefings;
- The Chief Executive Officer's address delivered at the Annual General Meeting;
- Notices of all meetings of Shareholders and explanatory notes of proposed resolutions and
- Providing information on Eyecare Partners website, which contains information about Eyecare Partners Limited and its activities.

Eyecare Partners Limited strives for transparency in all its business practices, and recognises the impact of quality disclosure on the trust and confidence of the shareholder.

**External Auditor**

The Eyecare Partners external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditors Report. The Chairman of the meeting is to allow a reasonable opportunity for Shareholders to ask questions of the auditor regarding the audit and Auditors' Report.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Consolidated Entity	
		2010 \$'000	2009 \$'000
<b>Revenue</b>			
Sales revenue	4	30,129	27,342
Other income	4	96	580
		<b>30,225</b>	<b>27,922</b>
<b>Less: Expenses</b>			
Cost of goods sold	5	(9,555)	(8,891)
Employee benefits expenses	5	(13,448)	(11,869)
Occupancy expenses		(2,491)	(1,831)
Depreciation and amortisation expenses	5	(806)	(563)
Impairment of goodwill	5	(4,945)	-
Finance costs	5	(560)	(449)
Other expenses		(2,549)	(2,359)
		<b>(34,354)</b>	<b>(25,962)</b>
<b>(Loss) / Profit before income tax</b>		<b>(4,129)</b>	<b>1,960</b>
Income tax expense	6	(243)	(576)
<b>Net (Loss) / Profit from continuing operations</b>		<b>(4,372)</b>	<b>1,384</b>
<b>(Loss) / Profit for the year</b>		<b>(4,372)</b>	<b>1,384</b>
<b>Other comprehensive income</b>			
Movement in fair value of cash flow hedge, net of tax	19(a)	(86)	185
<b>Total comprehensive income for the year</b>		<b>(4,458)</b>	<b>1,569</b>
<b>(Loss) / Profit is attributable to:</b>			
Members of the parent		(4,372)	1,384
		<b>(4,372)</b>	<b>1,384</b>
<b>Total comprehensive income attributable to:</b>			
Members of the parent		(4,458)	1,569
		<b>(4,458)</b>	<b>1,569</b>
<b>Earnings per share for profit from continuing operations attributable to equity holders of the parent entity:</b>			
Basic earnings per share	23	(0.032)	0.010
Diluted earnings per share	23	(0.032)	0.008

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
ACN: 006 505 808

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 June 2010

	Notes	Consolidated Entity	
		2010 \$'000	2009 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	838	1,359
Receivables	9	813	942
Inventories	10	2,134	2,191
Current tax receivable	6	366	-
Other current assets	12	255	231
<b>TOTAL CURRENT ASSETS</b>		<b>4,406</b>	<b>4,723</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	11	384	506
Deferred tax assets	6	305	295
Plant and equipment	13	3,638	3,792
Intangible assets	14	25,037	30,064
<b>TOTAL NON-CURRENT ASSETS</b>		<b>29,364</b>	<b>34,657</b>
<b>TOTAL ASSETS</b>		<b>33,770</b>	<b>39,380</b>
<b>CURRENT LIABILITIES</b>			
Payables	15	1,972	1,920
Borrowings	16	6,224	1,754
Current tax payable	6	-	630
Provisions	17	834	757
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,030</b>	<b>5,061</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	16	120	5,245
Provisions	17	97	93
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>217</b>	<b>5,338</b>
<b>TOTAL LIABILITIES</b>		<b>9,247</b>	<b>10,399</b>
<b>NET ASSETS</b>		<b>24,523</b>	<b>28,981</b>
<b>EQUITY</b>			
Contributed capital	18	24,778	24,778
Reserves	19	2,615	2,701
(Accumulated Losses)/Retained earnings	19	(2,870)	1,502
<b>TOTAL EQUITY</b>		<b>24,523</b>	<b>28,981</b>

The accompanying notes form part of these financial statements

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
ACN: 006 505 808

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2010

Consolidated Entity	Notes	Contributed equity \$'000	Reserves \$'000	(Accumulated Losses)/ Retained earnings \$'000	Total Equity \$'000
<b>Balance as at 1 July 2008</b>		<b>22,918</b>	<b>2,395</b>	<b>881</b>	<b>26,194</b>
Profit for the year		-	-	1,384	1,384
Cash flow hedges, net of tax	19(a)	-	185	-	185
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>185</b>	<b>1,384</b>	<b>1,569</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contributions		1,851	-	-	1,851
Employee Share Scheme		12	121	-	133
Transaction costs		(3)	-	-	(3)
Dividends paid		-	-	(763)	(763)
		<b>1,860</b>	<b>121</b>	<b>(763)</b>	<b>1,218</b>
<b>Balance as at 30 June 2009</b>		<b>24,778</b>	<b>2,701</b>	<b>1,502</b>	<b>28,981</b>
Loss for the year		-	-	(4,372)	(4,372)
Cash flow hedges, net of tax	19(a)	-	(86)	-	(86)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(86)</b>	<b>(4,372)</b>	<b>(4,458)</b>
<b>Transactions with owners in their capacity as owners:</b>					
		-	-	-	-
<b>Balance as at 30 June 2010</b>		<b>24,778</b>	<b>2,615</b>	<b>(2,870)</b>	<b>24,523</b>

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
ACN: 006 505 808

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		31,192	27,775
Payments to suppliers and employees		(28,793)	(24,169)
Dividends received		42	56
Interest received		18	79
Finance costs		(560)	(449)
Income tax paid		(1,119)	(752)
<b>Net cash provided by operating activities</b>	20(a)	<b>780</b>	<b>2,540</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of plant and equipment		6	-
Payment for plant and equipment		(652)	(1,332)
Payment for investments		-	(8,535)
<b>Net cash used in investing activities</b>		<b>(646)</b>	<b>(9,867)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		521	8,023
Repayment of borrowings		(1,176)	(1,205)
Dividends paid		-	(763)
<b>Net cash (used in) / provided by financing activities</b>		<b>(655)</b>	<b>6,055</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(521)</b>	<b>(1,272)</b>
Cash and cash equivalents at beginning of year		1,359	2,631
<b>Cash and cash equivalents at end of the year</b>	20(b)	<b>838</b>	<b>1,359</b>

The accompanying notes form part of these financial statements

**Notes to the Financial Statements**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2010**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial report covers Eyecare Partners Ltd and controlled entities as a consolidated entity. Eyecare Partners Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the directors on 28 September, 2010.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Basis of preparation of the financial report**

*Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalent International Financial Reporting Standards ensures compliance with International Financial Reporting Standards (IFRSs).

*Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes on assets as described in the accounting policies.

**(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The group is dependent upon continuing support from its financiers to maintain its operations. The group's finance facilities which are due to expire on 30 September 2013 are scheduled for annual review at 31 December 2010.

In addition, during the financial year ended and as at 30 June 2010 a breach of a reporting covenant on the funding facility provided by the financiers occurred. The breached reporting covenant is described below.

- Any negative variance > 15% from budgeted to actual results in major line items such as GPM and EBITDA will provide the Bank with a right of review of the banking facilities.

The breach of the facility has been acknowledged by the financiers who have supplied a letter of non-waiver stipulating they will be taking no action at this time but reserve their rights in accordance with the finance facility. AASB 101 requires that all liabilities are classified as current unless there is an unconditional right to defer settlement beyond 12 months, which occurs as a result of the annual review and covenant breach referred to above. Consequently these borrowings have been reclassified as short term borrowings at the year end.

Although the outcome of the review cannot be predicted with certainty, the Directors are confident that these facilities will continue due to the following circumstances:

The group has generated positive operating cash flows for the year ended 30 June 2010 which has allowed it to continue to meet all interest and principal repayments during the year. The directors consider that these obligations will continue to be met in the foreseeable future.

Management have formal long term policies and objectives and place an emphasis on monitoring operating results and on meeting operating budgets.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

Cash flow forecasts of the group for the year ended 30 June 2011 indicate that based on current cash reserves and forecast operating cash inflows, the group will be able to satisfy the existing covenants and service the repayments required under the current bank facility as and when they fall due. Additionally these cash flow forecasts indicate that the group will be able to settle all other debts as and when they fall due.

Based on the above the Directors are of the opinion that the group is a going concern.

**(c) Principles of consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, over which the parent has the power to control the financial and operating policies so as to obtain benefits from its activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are fully consolidated from the date on which control is established. They are de-consolidated from the date that control ceases.

**(d) Revenue**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the client.

Revenue from the provision of services to customers is recognised upon delivery of the service to the client.

Interest revenue is recognised when it becomes receivable on an accruals basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

**(e) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts.

**(f) 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 for as purchase cost on a first-in-first-out basis.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**(g) Property, plant and equipment**

*Cost and valuation*

At each balance date the carrying value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date.

All classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

*Depreciation*

The depreciable amounts of all fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

	<b>2010</b>	<b>2009</b>
Plant and equipment:	3 to 10 years	3 to 10 years
Leased plant and equipment:	3 to 5 years	3 to 5 years

**(h) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

*Finance leases*

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

*Operating leases*

Lease payments for operating leases are recognised as an expenses on a straight-line basis over the term of the lease.

**(i) Intangibles**

*Goodwill*

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

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

**(j) Impairment**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**(k) Income tax**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

*Tax Consolidation*

The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

**(l) Provision**

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will result and that outflow can be reliably measured.

**(m) Employee benefits**

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

*Share-based payments*

The group operates an employee share option plan and an employee share scheme. The bonus element over the exercise price for the grant of shares and options is recognised as an expense in the Income Statement in the period(s) when the benefit is earned.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. The fair value of options at grant date is determined using a Black-Scholes option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option. The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an expense when the employees become entitled to the shares.

**(n) Borrowing costs**

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs are expensed as incurred.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**(o) Financial instruments**

*Classification*

The consolidated entity classifies its financial instruments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

*Financial instruments at cost*

Instruments in unlisted securities where no significant influence exists are carried at cost.

*Loans and Receivables*

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*Financial Liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties and loans from or other amounts due to Director-related entities. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

*Hedge Accounting*

Certain derivatives are designed as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

At the inception of each hedging transaction the company documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The company also documents its assessment, 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 value or cash flows of hedged items.

*Cash Flow Hedge*

To qualify as a cash flow hedge the underlying transaction generating the cash flows must be highly probable. Changes in fair value that are designated and qualified as cash flow hedges are recognised in equity in the cash flow hedging reserve. The gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby mitigating any exchange fluctuations that would have transpired in the absence of the hedge.

**(p) 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.

**(q) Business Combinations**

The purchase method of accounting is used for all acquisitions regardless of whether equity instruments or other assets are

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities assumed at the date of acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their issue price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date.

**(r) Earnings per Share**

**(i) Basic earnings per share**

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, by the weighted average number of ordinary shares outstanding during the financial period.

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax income effect of convertible notes and options. The number of options has been disclosed in the Notes to the Financial Statements.

**(s) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**(t) Rounding of amounts**

The parent entity and the consolidated entity have applied the relief available under ASIC Class Order CO 98/0100 and accordingly, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**(u) New accounting standards and interpretations**

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

**NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

*(a) Impairment of goodwill*

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations.

These calculations are based on projected discounted cash flows determined by management and approved by the board covering a period not exceeding five years.

Management's determination of cash flow projections is prepared on a practice by practice basis with revenue and gross margin growth rates varying from practice to practice. Cash flow projections for each practice are largely based on historical performance, available billing hours, local demographics, known operating expense variables and projected growth rates.

A terminal value multiple of four is applied to represent the growth rate implied to extrapolate the cash flows beyond the five year forecast period. The terminal value multiple is based on Director's experience, industry knowledge, market comparative multiples and previous acquisitions.

An impairment loss on consolidation, based upon a value in use calculation, of \$4.945m relating to goodwill was recognised for continuing operations for the year ended 30 June 2010. Management have prepared new discounted cash flow projections at 30 June 2010 based upon actual results to that date and applying growth rates varying from 0% to 10% based on historical performance, available billing hours, local demographics and known operating expense variables. The reforecast discounted cash flow projections for underperforming practices have led to the impairment loss recognised on consolidation.

The impairment is a consequence of a combination of a decline in sales, increased overhead costs and decreased gross profit margins in the various cash generating units. The current and forecast results do not support the carrying value of the full amount of goodwill paid upon acquisition for these CGU's.

The present value of future cash flows has been calculated using a post-tax discount rate of 10.5% (30 June 2009: 13.3%) to determine value-in-use. The terminal value multiple applied to the reforecast calculations is consistent with that used at 30 June 2009.

The impaired goodwill relates to various cash generating units based in New South Wales, Victoria, Queensland and Western Australia.

The cash generating units consist of working capital, plant and equipment and goodwill.

*(b) Income tax*

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

**NOTE 3: FINANCIAL RISK MANAGEMENT**

The consolidated entity is exposed to a variety of financial risks comprising:

**(a) Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in Statement of Financial Position and Notes to the Financial Statements.

Credit risk for debtors is mitigated by the diverse nature and large number of individual debtors. No single debtor owes the consolidated entity a material amount.

As at 30 June 2010, the aging of trade receivables is as follows:

	<b>Consolidated Entity 2010 \$'000</b>	<b>Consolidated Entity 2009 \$'000</b>
1 to 30 days	709	800
31 to 60 days	65	76
61 to 90 days	26	34
91 plus days	37	56
Past Due and considered impaired	(24)	(24)
<b>Total</b>	<b>813</b>	<b>942</b>

Trade receivables are non-interest bearing and are generally on 30 to 60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A provision against impairment for the amount of \$24,000 has been raised against the balance of trade receivables for 2010.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

*Concentrations of credit risk*

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

**(b) Liquidity risk**

Liquidity risk arises from the risk that the group may encounter difficulties raising funds to meet commitments associated with financial instruments.

Cash flow budgets are prepared and reviewed on a regular basis by management to ensure sufficient cash flows are maintained to meet financial commitments. The nature of the consolidated entity's activities generally allow for upfront payment from clients and a relatively even spread of cash flows during the year which enables management to accurately forecast cash positions and manage the entity's liquidity position accordingly.

During the financial year ended 30 June 2010 a breach of a financial covenant has resulted in all external debt being classified as current. Notwithstanding this financial covenant breach, the current finance facility is due to expire on 30 September 2013. The finance facility has a fixed repayment schedule up until the expiry date. In assessing the entity's ability to meet the contractual obligations, the consolidated entity has continued to meet all interest and principal repayments during the year ended 30 June 2010. Cash flow budgets prepared by management and approved by the board anticipate the consolidated entity meeting the fixed repayment schedule. Refer to Note 1(b) for further commentary.

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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**NOTE 3: FINANCIAL RISK MANAGEMENT continued**

**Consolidated Entity**

<b>Year Ended 30 June 2010</b>	<b>&lt; 6 Months \$'000</b>	<b>6-12 Months \$'000</b>	<b>1-5 Years \$'000</b>	<b>&gt;5 Years \$'000</b>	<b>Total \$'000</b>
<i>Financial Assets</i>					
Cash and cash Equivalents	838	-	-	-	838
Trade Receivables	813	-	-	-	813
<b>Total Anticipated Inflows</b>	<b>1,651</b>	-	-	-	<b>1,651</b>
<i>Financial Liabilities</i>					
Trade and other payables	1,972	-	-	-	1,972
Borrowings	-	6,162	-	-	6,162
Finance lease liability	-	61	120	-	181
<b>Total Anticipated Outflows</b>	<b>1,972</b>	<b>6,223</b>	<b>120</b>	-	<b>8,315</b>

**Consolidated Entity**

<b>Year Ended 30 June 2009</b>	<b>&lt; 6 Months \$'000</b>	<b>6-12 Months \$'000</b>	<b>1-5 Years \$'000</b>	<b>&gt;5 Years \$'000</b>	<b>Total \$'000</b>
<i>Financial Assets</i>					
Cash and cash Equivalents	1,359	-	-	-	1,359
Trade Receivables	942	-	-	-	942
<b>Total Anticipated Inflows</b>	<b>2,301</b>	-	-	-	<b>2,301</b>
<i>Financial Liabilities</i>					
Trade and other payables	1,920	-	-	-	1,920
Borrowings	-	1,698	5,063	-	6,761
Finance lease liability	-	56	182	-	238
<b>Total Anticipated Outflows</b>	<b>1,920</b>	<b>1,754</b>	<b>5,245</b>	-	<b>8,919</b>

**(c) Fair values**

The fair value of financial assets and liabilities approximate their carrying amounts as disclosed in the Balance Sheet and Notes to the financial statements

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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**NOTE 3: FINANCIAL RISK MANAGEMENT continued**

**(d) Interest Rate Risk**

The consolidated entity is exposed to interest rate volatility on deposits.

The consolidated entity is also exposed to interest rate volatility on debt. To minimise this exposure a fixed interest payer interest rate swap for \$5,000,000 has been entered into to provide a hedge against any interest rate volatility.

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Fixed interest rate maturing in:													
	Floating interest rate		1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per Balance Sheet		Weighted average effective interest rate	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
<i>(i) Financial assets</i>														
Cash	838	1,359	-	-	-	-	-	-	-	-	838	1,359	5.8	5.8
Trade and other receivables	-	-	-	-	-	-	-	-	813	942	813	942	-	-
<b>Total financial assets</b>	<b>838</b>	<b>1,359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>813</b>	<b>942</b>	<b>1,651</b>	<b>2,301</b>	<b>-</b>	<b>-</b>
<i>(ii) Financial liabilities</i>														
Trade creditors	-	-	-	-	-	-	-	-	1,972	1,920	1,972	1,920	-	-
Finance lease liability	-	-	61	56	120	182	-	-	-	-	181	238	9.65	9.65
Interest bearing loans	-	-	6,162	1,698	-	5,063	-	-	-	-	6,162	6,761	4.59	4.59
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>6,223</b>	<b>1,754</b>	<b>120</b>	<b>5,245</b>	<b>-</b>	<b>-</b>	<b>1,972</b>	<b>1,920</b>	<b>8,315</b>	<b>8,919</b>	<b>-</b>	<b>-</b>

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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**NOTE 3: FINANCIAL RISK MANAGEMENT continued**

**Interest Rate Risk continued**

Sensitivity Analysis on Interest Rate Swap

For a one percent movement in interest rates the following profit and loss effect would be:

	<b>+ 1% movement</b>	<b>-1% movement</b>
<b>Principal Value \$5,000,000</b>	\$50,000 gain	\$50,000 loss

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>NOTE 4: REVENUE</b>			
<b>Revenues from continuing operations</b>			
<i>Sales revenue</i>			
Sale of goods		24,868	22,502
Rendering of services		5,261	4,840
		<u>30,129</u>	<u>27,342</u>
<i>Other revenue</i>			
Other Income		31	445
Dividends		42	56
Interest		18	79
		<u>91</u>	<u>580</u>
<i>Other income</i>			
Net gain on disposal of property, plant & equipment		5	-
		<u>5</u>	<u>-</u>

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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Notes	Consolidated Entity	
	2010	2009
	\$'000	\$'000
<b>NOTE 5: PROFIT FROM CONTINUING OPERATIONS</b>		
Profit from continuing operations before income tax has been determined after the following specific expenses:		
<i>Cost of goods sold</i>		
Changes in inventories of finished goods	39	(238)
Purchases of finished goods	9,516	9,129
<i>Cost of goods sold</i>	9,555	8,891
 <i>Employee benefits expense</i>		
Share-based payments	(47)	(84)
Other employee benefits	(13,401)	(11,785)
<i>Employee benefits expense</i>	(13,448)	(11,869)
 <i>Depreciation of non-current assets</i>		
Plant and equipment	(786)	(543)
<i>Total depreciation of non-current assets</i>	(786)	(543)
 <i>Amortisation of non-current assets</i>		
Plant and equipment under finance lease	(20)	(20)
<i>Total amortisation of non-current assets</i>	(20)	(20)
 <i>Impairment losses</i>		
Goodwill	(4,945)	-
<i>Impairment losses</i>	(4,945)	-
 <i>Finance costs expensed</i>		
Other loans	(515)	(401)
Finance charges paid or payable under finance leases	(45)	(48)
<i>Total finance costs expensed</i>	(560)	(449)

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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Notes	Consolidated Entity	
	2010	2009
	\$'000	\$'000
<b>NOTE 5: PROFIT FROM CONTINUING OPERATIONS continued</b>		
<i>Other expenses</i>		
Doubtful debt impairment	-	2
Stock obsolescence impairment	54	74
<b>NOTE 6: INCOME TAX</b>		
<b>(a) Components of tax expense:</b>		
Current tax	216	705
Deferred tax	27	(129)
	243	576
<b>(b) Prima facie tax payable</b>		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit/(loss) before tax from continuing operations	(4,129)	1,960
<i>Total profit/(loss) before income tax</i>	(4,129)	1,960
Prima facie income tax payable on profit/(loss) before income tax at 30.0% (2009: 30.0%)	(1,239)	588
Add tax effect of:		
- share based payment	14	6
- goodwill impairment	1,484	-
- other allowable items	1	(18)
	260	594
Less tax effect of:		
- dividend income	(13)	-
- investment allowance	(4)	(18)
	(17)	(18)
Income tax expense attributable to profit	243	576

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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**NOTE 6: INCOME TAX continued**

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>(c) Current tax</b>			
Current tax relates to the following:			
Current tax liabilities / (assets)			
Opening balance		630	713
Income tax		208	705
Tax payments		(1,119)	(752)
Under / (over) provisions		(85)	(36)
<b>Current tax liabilities / (assets)</b>		<b>(366)</b>	<b>630</b>
<i>Deferred tax assets</i>			
The balance comprises:			
Employee benefits		280	255
Impairment – Debtors		7	7
Write down – Inventory		56	39
Accruals		3	67
Borrowing costs		43	-
Capital raising costs		41	61
		<b>430</b>	<b>429</b>
<i>Deferred tax liabilities</i>			
The balance comprises:			
Capitalised costs		(82)	(54)
Interest rate swap		(43)	(80)
		<b>(125)</b>	<b>(134)</b>
<b>Net Deferred tax assets</b>		<b>305</b>	<b>295</b>
<b>(d) Deferred income tax (revenue)/expense included in income tax expense comprises:</b>			
Decrease / (increase) in deferred tax assets		(1)	(183)
(Decrease) / increase in deferred tax liabilities		(9)	134
		<b>(10)</b>	<b>(49)</b>
<b>(e) Deferred income tax charged or credited directly to equity</b>			
Interest rate swap		37	(80)
		<b>37</b>	<b>(80)</b>

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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**NOTE 7: DIVIDENDS**

	<b>Notes</b>	<b>Consolidated Entity</b>	
		<b>2010</b>	<b>2009</b>
		\$'000	\$'000
<b>Dividends paid during the year</b>			
(i) Current year interim		-	-
(ii) Previous year final		-	(763)
		-	(763)
		-	(763)

Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years:

	1,624	792
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	<b>Notes</b>	<b>Consolidated Entity</b>	
		<b>2010</b>	<b>2009</b>
		\$'000	\$'000

**NOTE 8: CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	838	2,631
	838	2,631

**NOTE 9: RECEIVABLES**

CURRENT

Trade receivables	837	966
Impairment loss	(24)	(24)
	813	942
	813	942

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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**NOTE 9: RECEIVABLES continued**  
**(a) Provision for impairment**

Trade receivables are non interest bearing with 30 to 60 days terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A provision against impairment for the amount of \$24,000 has been raised against the balance of trade receivables for 2010. The impairment losses have been included within expenses in the consolidated statement of comprehensive income. All trade receivables that are not impaired are expected to be received within trading terms.

There were no movements in the provision for impairment during the year.

Trade receivables ageing analysis at 30 June is:

	<b>Gross 2010 \$'000</b>	<b>Impairment 2010 \$'000</b>	<b>Gross 2009 \$'000</b>	<b>Impairment 2009 \$'000</b>
Not past due	709	-	800	-
Past due 31-60 days	65	-	76	-
Past due 61-90 days	26	-	34	-
Past due more than 91 days	37	(24)	56	(24)
	<b>837</b>	<b>(24)</b>	<b>966</b>	<b>(24)</b>

<b>Notes</b>	<b>Consolidated Entity</b>	
	<b>2010 \$'000</b>	<b>2009 \$'000</b>

**NOTE 10: INVENTORIES**

CURRENT

Finished goods

- at cost	2,318	2,321
-impairment loss	(184)	(130)

Total inventories	<u>2,134</u>	<u>2,191</u>
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Write downs of inventories to net realisable value recognised as an expense during the year	54	87
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**NOTE 11: OTHER FINANCIAL ASSETS**

NON-CURRENT

*Available for sale financial assets*

At cost:

Investment in Eyecare Plus Limited	239	239
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At fair value:

Interest rate swap (hedge asset)	145	267
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	<u>384</u>	<u>506</u>
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EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
ACN: 006 505 808

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>NOTE 12: OTHER CURRENT ASSETS</b>			
Prepayments		255	231
		255	231

**NOTE 13: PROPERTY PLANT AND EQUIPMENT  
(a)**

*Plant & equipment*

At cost		5,202	4,554
Accumulated depreciation		(1,605)	(823)
		3,597	3,731

*Leased plant and equipment*

Capitalised leased assets		104	104
Accumulated amortisation		(63)	(43)
		41	61

<i>Total plant and equipment</i>		3,638	3,792
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**(b) Reconciliations**

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

*Plant and equipment*

Carrying amount at 1 July 2009		3,731	1,611
Additions		652	1,332
Additions through acquisition of entities / operations		-	1,331
Depreciation expense		(786)	(543)
Carrying amount at 30 June 2010		3,597	3,731

*Plant and equipment under lease*

Carrying amount at 1 July 2009		61	81
Depreciation expense		(20)	(20)
Carrying amount at 30 June 2010		41	61

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>NOTE 14: INTANGIBLE ASSETS</b>			
<i>Goodwill</i>			
At cost		29,982	30,064
Accumulated impairment loss		(4,945)	-
		25,037	30,064
<i>Reconciliation</i>			
Carrying amount at beginning of year		30,064	21,129
(Adjustments)/Additions		(82)	8,935
Impairment charge		(4,945)	-
Carrying amount end of year		25,037	30,064

**Impairment loss**

Refer to detailed disclosure regarding the impairment loss at Note 2.

**NOTE 15: PAYABLES**

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>CURRENT</b>			
Trade payables		1,972	1,920
		1,972	1,920

**NOTE 16: BORROWINGS**

<b>CURRENT</b>			
<i>Secured</i>			
Lease liability	21(b)	62	56
Borrowing's secured by floating charge			
– Bill facility		6,162	1,698
		6,224	1,754
<b>NON-CURRENT</b>			
<i>Secured</i>			
Lease liability	21(b)	120	182
Borrowing's secured by floating charge			
– Bill facility		-	5,063
		120	5,245

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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**NOTE 16: BORROWINGS continued**

- (i) A fixed and floating charge is in place over all assets in the group. Guarantees and indemnities are also provided by all entities for finance facilities amounting to \$10.5m.
- (ii) During the financial year ended and as at 30 June 2010, a breach of a reporting covenant on the funding facility provided by the financiers occurred. Refer to note 1(b) for details.

**NOTE 17: PROVISIONS**

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
CURRENT			
Employee benefits		834	757
NON-CURRENT			
Employee benefits		97	93
Aggregate employee benefits liability		931	850

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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Notes	Consolidated Entity	
	2010	2009
	\$'000	\$'000
<b>NOTE 18: CONTRIBUTED CAPITAL</b>		
<b>(a) Issued and paid up capital</b>		
Ordinary shares fully paid	24,778	24,778
<hr/>		
<b>(b) Movements in shares on issue</b>		
	Parent Equity	
	2010	
	No of Shares	\$'000
Beginning of the financial year	136,375,555	24,778
End of the financial year	136,375,555	24,778
<hr/>		

**(c) Share Options**

No options to subscribe for ordinary fully paid shares were allotted during the reporting period.

The following options to subscribe for ordinary fully paid shares were outstanding at balance date:

Class	Expiry Date	Exercise Price	Number of Options
Listed (EPLO*)	30 September 2010	20 cents	18,921,743
Vendor Options Tranche 2	30 September 2010	20 cents	13,098,607
Employee Option Scheme	30 September 2010	20 cents	1,500,000
Employee Option Scheme	30 September 2010	22 cents	100,000
Employee Option Scheme	30 November 2011	20 cents	1,281,000

\* EPLO are Eyecare Partners Limited listed options, exercisable at \$0.20 on a one for one basis and expiring on 30 September 2010.

None of the remaining options have been exercised up to the date of this report. These options do not entitle the holder to participate in any share issue of the Company or any other entity.

**(d) Capital Management**

When managing capital, management's objective is to ensure the consolidated entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

During 2010, management paid dividends of \$NIL (2009: \$763,000).

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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**NOTE 19: RESERVES AND RETAINED EARNINGS / ACCUMULATED LOSSES**

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
Options reserve		2,516	2,516
Cash flow hedge reserve		99	185
		2,615	2,701
(Accumulated Losses) / Retained earnings		(2,870)	1,502

**(a) Option Reserve**

(i) Nature and purpose of reserve

This reserve is used to record the value of options issued to shareholders and to employees and directors as part of their remuneration. There has been no change in options issued in the current year.

(ii) Movements in reserve

Balance at beginning of year	2,516	2,395
Movement taken to comprehensive income during the year	-	121
Balance at end of year	2,516	2,516

**(b) Cash Flow Hedge Reserve**

(i) Nature and purpose of reserve

This reserve is used to record the cash flow hedge amounts from an interest rate swap.

(ii) Movements in reserve

Balance at beginning of year	185	-
Movement taken to comprehensive income during the year (net of tax)	(86)	185
Balance at end of year	99	185

**(c) (Accumulated Losses) / Retained earnings**

Balance at the beginning of year	1,502	881
Net (loss) / profit attributable to members of Eyecare Partners Limited	(4,372)	1,384
Total available for appropriation	(2,870)	2,265
Dividends paid	-	(763)
Balance at end of year	(2,870)	1,502

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>NOTE 20: CASH FLOW INFORMATION</b>			
(a) Reconciliation of cash flow from operations with profit after income tax			
(Loss) / Profit from ordinary activities after income tax		(4,372)	1,384
<b>Non-Cash Items</b>			
Depreciation and amortisation		806	563
Net (profit) on disposal of property, plant and equipment		(5)	-
Impairment loss		4,945	-
Non-cash share based payments		47	84
Employee provisions		33	48
Changes in tax balances processed directly in equity		37	(80)
<b>Changes in assets and liabilities</b>			
(Increase)/decrease in trade receivables		129	(12)
(Increase)/decrease in inventory		57	(171)
(Increase)/decrease in other assets		(24)	34
(Decrease)/increase in trade and other creditors		52	627
(Decrease)/increase in income tax payable		(996)	(83)
(Increase)/decrease in deferred income tax asset		(10)	(66)
(Decrease)/increase in employee entitlements		81	212
<b>Net cash flow from operating activities</b>		<b>780</b>	<b>2,540</b>
<b>(b) Reconciliation of cash</b>			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:			
Cash at bank		838	1,359
Closing cash balance		838	1,359

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**NOTE 20: CASH FLOW INFORMATION continued**

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>(c) Credit stand-by arrangements with banks</b>			
Credit facility		10,500	10,500
Amount utilised		(6,162)	(6,761)
Unused credit facility		<u>4,338</u>	<u>3,739</u>

- (i) During the financial year ended and as at 30 June 2010, a breach of a reporting covenant on a funding facility provided by the financiers occurred. Refer to note 1(b) for details.

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**NOTE 21: COMMITMENTS AND CONTINGENCIES**

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>Lease expenditure commitments</b>			
<b>(a) Operating leases (non-cancellable):</b>			
Lease Expenditure commitments			
(i) Commercial property leases -Leases of retail and office premises for the operation of businesses on commercial terms and conditions			
(ii) Minimum lease payments			
– Not later than one year		1,979	1,839
– Later than one year and not later than five years		3,794	4,866
– Later than five years		-	-
Aggregate lease expenditure contracted for at reporting date		5,773	6,705
<b>(b) Finance leases:</b>			
(i) Leases for computer software and hardware and optometric equipment.			
(ii) Future minimum lease payment and the present value of the net minimum lease payment			
– Not later than one year		77	77
– Later than one year and not later than five years		131	209
Total minimum lease payments		208	286
– Future finance charges		(26)	(48)
Present value of minimum lease payment		182	238
- Current liability	16	62	56
- Non-current liability	16	120	186
		182	238

**NOTE 22: CONTINGENT LIABILITIES**

Guarantees are provided by Eyecare Partners Limited, where required, to support the retail tenancy obligations of subsidiary companies.

Some, but not all, of the acquisition agreements entered into by the Company include deferred purchase components. The future payments are based on the future performance of the businesses. The deferred purchase consideration is only available where vendors have committed to long term employment contracts. The calculation of the amount of the payments is based on the increased profitability of each practice group acquired. The payments are only made if the practices increase profitability from the base profitability agreed at the time of the settlement. If the increases occur, then a formula is applied to the increased profitability amount at each of the 1<sup>st</sup>, 3<sup>rd</sup> and 5<sup>th</sup> anniversaries of the sale to calculate the deferred purchase consideration. It is not yet possible to reliably estimate either the occurrence or value of the future payments, and accordingly, no liability has been taken to the accounts of the Group. If payment is made under the agreements, the Company may make the payments either in cash or cash equivalents or in securities at the then current market value of ordinary shares of the Company. In accordance with accounting standards, the payments for deferred purchase consideration will be treated in accordance with the transitional provisions of AASB3 Business Combinations.

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	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
<b>NOTE 23: EARNINGS PER SHARE</b>			
<i>Reconciliation of earnings used in calculating earnings per share:</i>			
(Loss) / Profit from continuing operations		(4,372)	1,384
(Loss) / Profit used in calculating basic earnings per share		(4,372)	1,384
		<b>2010</b>	<b>2009</b>
	<b>No of Shares</b>	<b>No of Shares</b>	
Weighted average number of ordinary shares used in calculating basic earnings per share	133,156,840	133,156,840	
Effect of dilutive securities:			
Share options	34,901,350	49,573,042	
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	168,058,190	182,729,882	

**NOTE 24: DIRECTORS' AND EXECUTIVES' COMPENSATIONS**

**(i) Directors**

Name	Position
Finian MacCana#	Chairman - Non-Executive
Anthony Larkin (retired: 18 January 2010)	Director - Non-Executive
Sandra Andersen (retired: 18 January 2010)	Director - Executive
Raymond Fortescue	Director - Executive
Anthony Hanks (retired: 29 October 2009)	Director - Executive
Colin Coverdale (appointed: 1 November 2009)	Director - Non-Executive
Robert Rollinson (appointed: 3 May 2010)	Director - Non-Executive

**(a) Details of Key Management Personnel**

Name	Position
Sandra Andersen (retired: 18 January 2010)	Managing Director
Michael Kotow (appointed: 2 March 2010)	CEO
Tracey Hutchinson	Chief Financial Officer & Company Secretary
Mark Overton (resigned: 24 September 2009)	General Manager Practice Operations
Marie Pastore (resigned: 19 March 2010)	General Manager Human Resources

# The position of Chairman changed from Non-Executive to Executive in May 2009, due to the provision of optometric services by the Chairman.

**(b) Directors' and Executives Compensation by Category**

	2009/2010	2008/2009
Short term employment benefits	1,235,475	931,357
Post employment benefits	72,376	65,330
Share based payments	-	-
Termination benefits	-	-
<b>Total</b>	<b>1,307,851</b>	<b>996,687</b>

**(c) Employee Share Ownership Plans**

The Plans are designed to provide employees generally with an ownership interest in the Company and to provide additional incentives for employees to increase profitability and returns to Shareholders. Summaries of the Plans are set out below for the information of Shareholders.

**Exempt Share Plan**

The Plan is designed to meet the criteria for \$1,000 per annum tax exempt share benefits available to employees under section 139BA of the Income Tax Assessment Act 1936.

Under the Plan, eligible employees may be provided with fully paid Shares for no consideration in addition to their current remuneration. The company determines the number of Shares to be allocated in each financial year. It is anticipated that employees participating in the offer under this Plan will receive Shares of a value of \$1,000.

The Shares are sourced from new issues of Shares or be purchased at market price. The Shares rank equally in all respects with the existing Shares of the Company. It is intended that the Shares are to be held by a trustee on behalf of each participating employee for ten years or until the employee leaves the employment of the company.

*Restrictions*- While employed by the Company, any Shares allocated to an employee under the Plan cannot be sold within three years of the initial allocation date.

*Eligible Employees* - All full time and part time permanent employees of the Company will be eligible to participate in the offers made under the Plan. As a general rule, to be eligible to participate in offers, employees will be required to have had 12 months continuous service.

**Deferred Share Plan**

The Deferred Share Plan allows Shares to be acquired by or issued to eligible employees and senior management. All full time and part time permanent employees of the Company will be eligible to participate in the offers made under the Plan. As a general rule, to be eligible to participate in offers, employees will be required to have had 12

**NOTE 24: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS continued**

months continuous service. This may be the result of 'salary sacrifice', 'bonus sacrifice', other payment/reward arrangements or for nil consideration. The awards of Shares under the Deferred Share Plan are structured in a way that permits the recipients to access the tax deferral concessions for employees afforded by the employee share scheme taxation provisions (contained in Division 13A of the *Income Tax Assessment Act 1936*). If an issue of

Shares qualifies for a tax deferral, no tax is payable by the employee on the benefit received (in form of the Shares) until the cessation time (as defined in the applicable tax legislation).

Shares under this Plan will be issued or allocated to employees:

- (i) subject to time-based vesting conditions; and
- (ii) on terms that specifically allow employees (and Directors, if participants) to obtain tax deferral on their Share acquisitions (if desired) under the employee share scheme taxation provisions, by including the requisite provisions imposing Share disposal restrictions (holding locks) and dealing with limited forfeiture of ownership (as required by the tax legislation).

The shares issued under the Plan are new Shares or, shares acquired on market. The Plan permits the Company to provide financial assistance to employees, with both any interest free loans to employees for the sole purpose of acquiring Shares being exempt from fringe benefits tax and any interest payable on borrowings by the Company to fund the acquisition of Shares for allocation to the employees under the Plan being deductible from the date of allocation of the shares to the respective employees.

As a general rule, the Deferred Share Plan will require employees to pre-qualify to be allocated Shares under the Plan. The conditions of issue of Shares under the Plan will also generally require that employees retain their Shares for an agreed period (prior to vesting). Failure to do so will result in forfeiture of the Shares.

**Key Employee Option Plan**

The purpose of this Plan is to recognise and reward executives and other senior employees selected by the Board who have contributed to, or are expected to contribute to, the success of the Company. The Plan is designed to provide an incentive for the participating executives to achieve the long term objectives of the Company and to improve the performance of the Company.

Under the Plan, eligible executives will be allocated options entitling the holder to subscribe for Shares. The options will generally be subject to vesting and exercise restrictions determined by the Board at the time of issue.

The options will be issued by the Company to a plan trustee who will allocate them to the participants nominated by the Board. The options will have an exercise price and final exercise date determined by the Board at that time.

It is expected that the exercise price will be at or in excess of the prevailing price of the Shares (as traded on ASX) at the date of allocation. On exercise, the resulting Shares will rank equally in all respects with the existing Shares.

The Board will retain discretion to allow vested options to be exercised and any Shares acquired or cancelled for monetary consideration equivalent to their value. The Board will also retain discretion to waive the vesting conditions under certain limited circumstances.

*Eligible Executives* - The Board at its absolute discretion will determine eligibility to participate. Executives and employees who join the Company or one of its subsidiaries after the date of commencement of the Plan may also be eligible.

*Performance Criteria* - The Board at its absolute discretion will determine the applicable performance criteria to be achieved and the time period in which those criteria must be satisfied. Whilst not limiting the Board's discretion, the performance criteria would generally be focused on exceeding the key financial and other performance measures set by the Company.

It is also expected that options allocated to an executive under this Plan will not be vested in the executive or employee until the performance criteria have been achieved. Subject to the overriding discretion of the Board to waive vesting conditions, if the performance criteria are not met, the entitlements shares previously allocated will be forfeited. An employee who participates in the Plan in a particular financial year cannot also participate in the Exempt Share Plan.

**NOTE 25: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS**

**(a) Compensation Options: Granted and vested during the year (Consolidated)**

There were no Options granted to Directors or Executives during the year.

**(b) Details concerning share-based compensation of Directors and executives**

The Company obtains independent valuations for options granted to Directors and Executives. The independent expert advised the following assumptions were used in the binomial model employed for the valuation. The share price of the Company was assumed to be \$0.20 at the time of issue. The actual exercise price in relation to each issue was utilised in the model. The volatility applied to the share price was 43%, taking into account market comparatives and estimates by the Australian Graduate School of Management – Centre for Research in Finance Risk Measurement Service statistics. The time to maturity for each issue was used, and an exercise price multiple of 2 times was used to estimate the expected life of the options. Vesting conditions, if applicable, were included in the model, an expected dividend yield of 5% pa, and a risk free rate was assumed based on Treasury Bonds and included in the model.

The Company has used the resultant valuations for the purposes of compliance with AASB 2, Share-based Payments.

**(c) Shares issued on exercise of compensation options (consolidated)**

No shares were issued to Directors or Executives during the year as a component of their remuneration.

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NOTE 25: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS continued

(d) Number of options held by Key Management Personnel (consolidated):

2009/2010	Balance 01 /07/2009	Granted as remuneration	Options exercised*	Net change other*	Balance 30/06/10	Total vested 30/06/10	Total Exercisable 30/06/10	Total Unexercisable 30/06/10
Directors								
Finian MacCana	2,133,334	-	-	-	2,133,334	2,133,334	2,133,334	-
Anthony Larkin#	200,000	-	-	-	200,000	200,000	200,000	-
Sandra Andersen#	1,300,000	-	-	-	1,300,000	1,300,000	1,300,000	-
Raymond Fortescue	4,013,612	-	-	(1,423,471)	2,590,141	2,590,141	2,590,141	-
Anthony Hanks	11,774,595	-	-	(5,554,234)	6,220,361	6,220,361	6,220,361	-
Colin Coverdale	-	-	-	-	-	-	-	-
Robert Rollinson	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19,421,541</b>	<b>-</b>	<b>-</b>	<b>(6,977,705)</b>	<b>12,443,836</b>	<b>12,443,836</b>	<b>12,443,836</b>	<b>-</b>
Executives								
Michael Kowtow	-	-	-	-	-	-	-	-
Tracey Hutchinson	-	-	-	-	-	-	-	-
Mark Overton	-	-	-	-	-	-	-	-
Marie Pastore	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2008/2009	Balance 01 /07/2008	Granted as remuneration	Options exercised*	Net change other*	Balance 30/06/09	Total vested 30/06/09	Total Exercisable 30/06/09	Total Unexercisable 30/06/09
Directors								
Finian MacCana	2,133,334	-	-	-	2,133,334	2,133,334	2,133,334	-
Anthony Larkin	200,000	-	-	-	200,000	200,000	200,000	-
Sandra Andersen	1,616,667	-	-	(316,667)	1,300,000	1,300,000	1,300,000	-
Raymond Fortescue	4,013,612	-	-	-	4,013,612	2,506,807	2,506,807	1,506,806
Anthony Hanks	11,774,595	-	-	-	11,774,595	6,220,631	6,220,631	5,553,964
<b>Total</b>	<b>19,738,208</b>	<b>-</b>	<b>-</b>	<b>(316,667)</b>	<b>19,421,541</b>	<b>12,360,772</b>	<b>12,360,772</b>	<b>7,060,770</b>
Executives								
Tracey Hutchinson	-	-	-	-	-	-	-	-
Mark Overton	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**(e) Number of shares held by Key Management Personnel (consolidated):**

No shares were granted as remuneration to Key Management Personnel during or after the reporting period.

2009/2010	Balance 01 /07/2009	Granted as remuneration	Options exercised	Net change other	Balance 30/06/10
<b>Directors</b>					
Finian MacCana	2,278,136	-	-	1,313,357	3,591,493
Anthony Larkin	-	-	-	-	-
Sandra Andersen	3,908,478	-	-	2,548,411	6,456,889
Raymond Fortescue	9,351,379	-	-	250,000	9,601,379
Anthony Hanks	28,346,220	-	-	-	28,346,220
Colin Coverdale	-	-	-	-	-
Robert Rollinson	-	-	-	-	-
<b>Total</b>	<b>43,884,213</b>	<b>-</b>	<b>-</b>	<b>2,014,946</b>	<b>47,995,981</b>
<b>Executives</b>					
Michael Kowtow	-	-	-	25,000	25,000
Tracey Hutchinson	-	-	-	-	-
Mark Overton	-	-	-	-	-
Marie Pastore	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>25,000</b>

2008/2009	Balance 01 /07/2008	Granted as remuneration	Options exercised	Net change other	Balance 30/06/09
<b>Directors</b>					
Finian MacCana	1,649,716	-	-	628,420	2,278,136
Anthony Larkin	-	-	-	-	-
Sandra Andersen	2,329,647	-	-	1,578,831	3,908,478
Raymond Fortescue	9,351,379	-	-	-	9,351,379
Anthony Hanks	28,346,220	-	-	-	28,346,220
<b>Total</b>	<b>41,676,962</b>	<b>-</b>	<b>-</b>	<b>2,207,251</b>	<b>43,884,213</b>
<b>Executives</b>					
Tracey Hutchinson	-	-	-	-	-
Mark Overton	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTE 26: AUDITOR'S REMUNERATION**

	Notes	Consolidated Entity	
		2010	2009
		\$'000	\$'000
Amounts received or due and receivable by Pitcher Partners for:			
An audit or review of the financial report of the entity and any other entity in the consolidated entity		97	76
Other non-audit services			
– Taxation & Other services		42	16
		139	92
		139	92

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**NOTE 27: RELATED PARTY DISCLOSURES**

(a) The consolidated financial statements include the financial statements of Eyecare Partners Ltd and its controlled entities listed below:

	Country of Incorporation	Percentage Owned	
		2010	2009
<i>Parent Entity:</i>			
Eyecare Partners Ltd	Australia		
<i>Subsidiaries of Eyecare Partners Ltd</i>			
Eyecare Operations Pty Ltd	Australia	100%	100%
EyeQ Optometrists Pty Ltd	Australia	100%	100%
Eyelink Pty Ltd	Australia	100%	100%
EPL Finance Pty Ltd	Australia	100%	100%
Focus Optics Pty Ltd	Australia	100%	100%

(b) The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

**Wholly-owned group transactions**

Eyecare Partners Limited has a wholly owned subsidiary, Eyecare Operations Pty Ltd. Its investment amounts to \$1 and Eyecare Partners Limited has also loaned \$25,007,590 to Eyecare Operations Pty Ltd.

The group has a wholly owned subsidiary, EyeQ Optometrists Pty Ltd. Its investment amounts to \$2,660,000 and intercompany loans of \$136,071 have been made to EyeQ Optometrists Pty Ltd.

Eyecare Partners Limited has a wholly owned subsidiary, EPL Finance Pty Ltd. EPL Finance Pty Ltd has loaned \$5,397,907 to Eyecare Partners Limited.

The group has a wholly owned subsidiary Focus Optics Pty Ltd. Its investment amounts to \$427,220 and intercompany loans of \$148,794 have been made to Focus Optics Pty Ltd.

Intragroup loans are provided on an interest free basis. They are designated as at call and are eliminated on consolidation.

**Transactions with Directors or Director Related entities**

During the reporting period, Eyecare Operations Pty Ltd entered into leases on commercial terms and conditions for the rental of retail premises and management contracts with entities associated with Directors. The amounts paid are shown in the table below:

Name	Purpose	Amount
Raymond Fortescue	Rental of premises & Administration services	\$175,912
Finian MacCana	Provision of Optometry services	\$26,183

**NOTE 28: SEGMENT INFORMATION**

The consolidated entity operates predominantly in one segment being the operation of optometry practices in Australia.

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**NOTE 29: SUBSEQUENT EVENTS**

There has been no matter or circumstance, which has arisen since 30 June 2010 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2010, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2010, of the consolidated entity.

**NOTE 30: BUSINESS ACQUISITIONS**

(a) Between 1 and 14 July 2008, the Company completed the acquisition of 7 optometry practices in the following transaction. The consideration paid is contained in the table below.

Practices	Total Consideration Payable	Issue of Shares	Cash Consideration
7	\$4,997,000	8,312,500	\$3,334,000
<b>Purchase Consideration</b>		<b>\$000's</b>	
		Issued Shares	1,663
		Cash	3,287
		Transaction Costs	115
		Less Entitlements Payment	(68)
		<u>Net Purchase Consideration</u>	<u>4,997</u>

Set out below is a pro forma summary of the values of the assets and liabilities of the 7 optometry practices acquired from the various parties as if the transaction had occurred on the effective date 1 July 2008 and 14 July 2008.

**Fair Value of Assets and Liabilities acquired**

Cash	1
Receivables	61
Inventory	300
Prepayments	4
Deferred Tax Asset	29
Plant & Equipment	675
Payables	(299)
Entitlements	(97)
Net Assets	<u>674</u>
Goodwill	4,323

The above is based on the fair values of assets and liabilities of the acquired businesses as at 1 July 2008 and the purchase consideration paid by the Company. The assessment of the goodwill acquired above has been aggregated due to the immaterial nature of each individual purchase.

The transaction occurred in conjunction with the payment of acquisition costs including stamp duty and advisory, accounting and legal fees and goodwill on business combination. All prices for shares were based on the market value at the date of the acquisition agreement.

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**NOTE 30: BUSINESS ACQUISITIONS continued**

(b) On 13 October 2008, the Company completed the acquisition of 5 optometry practices in the following transaction with an effective date of 1 October 2008. The consideration paid is contained in the table below.

Practices	Total Consideration Payable	Issue of Shares	Cash Consideration
5	\$3,655,000	501,000	\$3,455,000

Purchase Consideration	\$000's
Issued Shares	100
Cash	3,356
Retention Amount	100
Transaction Costs	158
Less Entitlements Payment	<u>(59)</u>
Net Purchase Consideration	<u><u>3,655</u></u>

**Fair Value of Assets and Liabilities acquired**

Cash	1
Receivables	61
Inventory	201
Plant & Equipment	373
Deferred Tax Asset	25
Payables	(18)
Entitlements	<u>(84)</u>
Net Assets	<u><u>559</u></u>
Goodwill	3,096

The above is based on the fair values of assets and liabilities of the acquired businesses as at 1 October 2008 and the purchase consideration paid by the Company. The assessment of the goodwill acquired above has been aggregated due to the immaterial nature of each individual purchase.

The transaction occurred in conjunction with the payment of acquisition costs including stamp duty and advisory, accounting and legal fees and goodwill on business combination. All prices for shares were based on the market value at the date of the acquisition agreement.

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**NOTE 30: BUSINESS ACQUISITIONS continued**

(c) On 19 January 2009, the company completed the acquisition of a company, Focus Optics Pty Ltd, which owned one optometry practice which took effect from 1 January 2009.

Practices	Total Consideration Payable	Issue of Shares	Cash Consideration
1	\$443,000	125,000	\$418,000

Purchase Consideration	\$000's
Issued Shares	25
Cash	539
Transaction Costs	21
Less Lease Payment	(102)
Less Entitlements Payment	(40)
Net Purchase Consideration	<u>443</u>

**Fair Value of Assets and Liabilities acquired**

Cash	64
Receivables	54
Inventory	62
Plant & Equipment	116
Payables	(213)
Entitlements	(57)
Net Assets	<u>26</u>
Goodwill	417

The above is based on the fair values of assets and liabilities of the acquired businesses as at 1st January 2009 and the purchase consideration paid by the Company. The assessment of the goodwill acquired above has been aggregated due to the immaterial nature of each individual purchase.

The transaction occurred in conjunction with the payment of acquisition costs including stamp duty and advisory, accounting and legal fees and goodwill on business combination. All prices for shares were based on the market value at the date of the acquisition agreement.

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**NOTE 30: BUSINESS ACQUISITIONS continued**

(d) On 1 February 2009, the company completed the acquisition of one optometry practice. The consideration paid for the transaction is noted below.

Practices	Total Consideration Payable	Issue of Shares	Cash Consideration
1	\$652,000	315,000	\$589,000
	<b>Purchase Consideration</b>		<b>\$000's</b>
		Issued Shares	63
		Cash	567
		Transaction Costs	29
		Less Entitlements Payment	(7)
		<u>Net Purchase Consideration</u>	<u><b>652</b></u>
	<b>Fair Value of Assets and Liabilities acquired</b>		
		Receivables	10
		Inventory	27
		Plant & Equipment	97
		Deferred tax asset	3
		Payables	(12)
		Entitlements	(10)
		<u>Net Assets</u>	<u>115</u>
		Goodwill	537

The above is based on the fair values of assets and liabilities of the acquired business as at 1 February 2009 and the purchase consideration paid by the Company. The assessment of the goodwill acquired above has been aggregated due to the immaterial nature of each individual purchase.

The transaction occurred in conjunction with the payment of acquisition costs including stamp duty and advisory, accounting and legal fees and goodwill on business combination. All prices for shares were based on the market value at the date of the acquisition agreement.

(e) On 1 June 2009, the company completed the acquisition of one optometry practice. The consideration paid for the transaction is noted below.

Practices	Total Consideration Payable	Issue of Shares	Cash Consideration
1	\$744,000	0	\$697,000
	<b>Purchase Consideration</b>		<b>\$000's</b>
		Cash	697
		Retention Amount	40
		<u>Net Purchase Consideration</u>	<u><b>737</b></u>
	<b>Fair Value of Assets and Liabilities acquired</b>		
		Inventory	165
		Plant & Equipment	70
		<u>Net Assets</u>	<u>235</u>
		Goodwill	502

EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES  
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**NOTE 30: BUSINESS ACQUISITIONS continued**

The above is based on the fair values of assets and liabilities of the acquired businesses as at 1 June 2009 and the purchase consideration paid by the Company. The assessment of the goodwill acquired above has been aggregated due to the immaterial nature of each individual purchase.

The transaction occurred in conjunction with the payment of acquisition costs including stamp duty and advisory, accounting and legal fees and goodwill on business combination. All prices for shares were based on the market value at the date of the acquisition agreement.

(f) Other costs were incurred in the prior year in relation to prior acquisitions totalling \$60,000.

**NOTE 31: PARENT ENTITY DISCLOSURES**

	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
<b>Results of the parent entity</b>		
Profit / (loss) for the year	(1,757)	(1,995)
Other comprehensive income	-	-
<b>Total</b>	<b>(1,757)</b>	<b>(1,995)</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	25,949	28,315
Total assets	26,387	28,844
Current liabilities	202	878
Total liabilities	229	929
<b>Net Assets</b>	<b>26,158</b>	<b>27,915</b>
Total equity of the parent entity comprising of:		
Contributed equity	24,778	24,778
Options reserve	2,516	2,516
Retained earnings	(1,136)	621
<b>Total equity</b>	<b>26,158</b>	<b>27,915</b>
<b>Parent entity commitments</b>		
Finance leases	49	70
Operating leases	110	240
<b>Total</b>	<b>159</b>	<b>310</b>

**DIRECTORS DECLARATION**

The directors declare that the financial statements and notes set out on pages 19 to 60 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- (b) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2010 and of its performance as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date; and
- (c) As stated in note 1 the (consolidated) financial statements also comply with International Financial Reporting Standards.

In the directors' opinion there are reasonable grounds to believe that *Eyecare Partners Ltd* will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2010.

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

Finian MacCana  
B.Sc(Hons), AMCT, FCOptom, M.Sc., FVCO, FAICD  
Director

A handwritten signature in black ink, appearing to read 'Finian MacCana', written in a cursive style.

Melbourne  
28 September 2010

**EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES**  
**ACN: 006 505 808**

**INDEPENDENT AUDITOR'S REPORT**

**To the members of Eyecare Partners Limited**

We have audited the accompanying financial report of Eyecare Partners Limited and controlled entities. The financial report comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, 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.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

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

*Independence*

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

**EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES**  
**ACN: 006 505 808**

*Auditor's Opinion*

In our opinion:

- (a) the financial report of Eyecare Partners 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the 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 Eyecare Partners Limited and controlled entities for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



P A JOSE  
Partner  
28 September 2010



PITCHER PARTNERS  
Melbourne

## SHAREHOLDER INFORMATION

### Stock Exchange Listing

Eyecare Partners shares are listed on the Australian Securities Exchange (ASX) under the code EPL, and Eyecare Partners options are listed on the Australia Securities Exchange (ASX) under the code EPL0.

### Substantial Shareholders as at 28 September 2010

Information included in the last notices lodged pursuant to section 617B of the Corporations Act as at 28 September 2010.

Under the provisions of the Corporation Act, a shareholder and his or her associates may be deemed to have a relevant interest in the same shares, the below figures should not be aggregated.

Shareholder giving Notice	Number of Shares	% of Issued Capital Current	% of Issued Capital Reported in notice	Date of Notice
Dr Anthony John Hanks & Mrs Vicki Joyce Hanks	28,346,219	17.49	24.1	6/08/2007
Jaianti Pty Ltd and associated entities	25,978,704	19.05	22.1	6/08/2007
Wetahall Pty Ltd	9,601,379	7.04	8.2	6/08/2007
Ludeba Pty Ltd	9,294,567	6.82	7.9	6/08/2007

### Shareholders as at 28 September 2010

All shares are fully paid ordinary shares. The number of issued shares as at 28 September 2010 was 136,060,555 held by 548 shareholders whose voting rights are one vote for each share held.

Range	Total holders	Units	% Issued Capital
1-1,000	60	29,105	0.02
1,001-5,000	77	267,026	.020
5,001-10,000	110	975,646	.072
10,001-100,000	198	6,949,557	5.10
100,001-9,999,999,999	76	128,144,171	93.96
<b>Rounding Total</b>	<b>521</b>	<b>136,375,555</b>	<b>100.00</b>

### Twenty Largest Shareholders as at 28 September 2010

Rank	Name	Units	% of Units
1.	DR ANTHONY JOHN HANKS + MRS VICKI JOYCE HANKS	14,506,443	10.64%
2.	BIPALO PTY LTD <THE BAYVIEW A/C>	12,500,000	9.17%
3.	DR ANTHONY JOHN HANKS + MRS VICKI JOYCE HANKS	9,339,776	6.85%
4.	WETAHALL PTY LTD <STRONGSHIELD SUPER FUND A/C>	7,808,589	5.73%
5.	BIPALO PTY LTD <P & L ROSE FAMILY A/C>	7,364,537	5.40%
6.	MR PETER GREGORY ANDERSEN + MRS SANDRA DELL ANDERSEN <ANDERSEN FAMILY S/FUND A/C>	6,275,202	4.60%
7.	BIPALO PTY LIMITED <ROSE SUPERANNUATION FUND A/C>	6,114,167	4.48%
8.	LUDEBA PTY LTD <FLANDERS FAMILY A/C>	4,764,831	3.49%
9.	LUDEBA PTY LTD <MARK H FLANDERS S/F A/C>	4,529,736	3.32%
10.	UTADA PTY LTD <UTADA SUPER FUND A/C>	4,500,000	3.30%
11.	NATALIE ROKIC OPTOMETRIST PTY LTD	3,031,076	2.22%
12.	MR ADRIAN ROSSITER	2,625,000	1.92%
13.	TOBEL PTY LTD <THE TOBEL A/C>	2,444,889	1.79%
14.	MR FINIAN MACCANA <LAMBERT SUPERANNUATION A/C>	2,421,406	1.78%
15.	MR ALLAN GEOFFREY JOHN CAMERON	2,250,000	1.65%
16.	MS AMANDA MACKNIGHT	2,250,000	1.65%
17.	MANY SANDS PTY LTD <CORNALE A/C>	2,117,617	1.55%
18.	DR DAMIEN PATRICK SMITH + MRS HELEN ELIZABETH SMITH <DAMHEL SUPER FUND A/C>	1,862,499	1.37%
19.	WETAHALL PTY LTD <THE FORTESCUE FAMILY A/C>	1,792,790	1.31%
20.	MRS CLARE ROSSITER	1,750,000	1.28%
	<b>Total Top 20 Holders of Issued Capital</b>	<b>100,248,558</b>	<b>73.51%</b>
	<b>Total Remaining Holders Balance</b>	<b>36,126,997</b>	<b>26.49%</b>