The new name in healthcare

ParagonCare

2012 financial report
future focussed

Paragon Care is a leading supplier of non-diagnostic, non-therapeutic durable medical equipment and furniture for the health and aged care markets. The company has a broad product range covering over 20 categories including patient treatment, examination and surgical stretchers and couches, medical and medication carts, stainless steel healthcare equipment, children's and maternity equipment and wire shelving and basket systems.

The company is structured into five groups which are focused on specific markets and product categories. They are AxisHealth (acute care/hospitals), Iona (aged and community care), Rapini (materials handling), Völker (beds) and GM Medical (stainless steel products).

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

axishealth

Bedding Products
Mattresses
Furniture
Lifting Systems
Chair Systems

iona

Shelving Systems
Service Carts
Refrigeration Systems
Mortuary Systems

rapini

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

VÖLKER Australia

Stainless steel equipment for
acute and aged care markets

gmmedical

Contents

Corporate Directory

Directors

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

Company Secretary

Darryl P Levin

Share Registry

Advanced Share Registry Services
150 Stirling Highway, Nedlands, WA 6009
PO Box 1156, Nedlands WA 6009
Telephone: 08 9389 8033
Facsimile: 08 9389 7871
Website: www.advancedshare.com.au

Stock Exchange Listing

Australian Stock Exchange
Trading Code:
PGC ordinary shares

Auditor

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

Bankers

Commonwealth Bank of Australia

Solicitors

SOHO Lawyers
Site 804 / 365 Little Collins Street
Melbourne, Victoria, 3000

Paragon Care Limited
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www.paragoncare.com.au

Introduction
On behalf of the Board of Directors of Paragon Care Limited, I am pleased to present to you our 2012 Annual Report.

The period in review
The twelve months ended 30th June, 2012 was one of the most challenging periods in Paragon Care's short history.

The demand for durable goods in the Australian Healthcare industry was subdued. Weak trading conditions were an industry-wide problem, brought about by Government and non-Government budgetary pressures. Despite this, our Rapini business (wire storage equipment) and Volker (premium beds) performed extremely well during 2011/12.

Highlights of the consolidated results for the year ended 30 June 2012 included:

- Revenue $15.9 million, compared to the previous year of $16.3 million;
- EBITDA $667,000, compared to the previous year of $1.4 million;
- NPAT (Net Profit After Tax) – a loss of $77,000, compared to the previous year's profit of $851,000;
- Debt $6.6 million – a reduction of $1.5 million compared to $8.1 million the previous year.

Despite the subdued trading conditions, a number of very important high profile bed and equipment tenders were won, including St Vincent's Hospital Melbourne, the Alfred Hospital Melbourne and the Royal Children's Hospital's new development. In respect to the Alfred Hospital and St Vincent's Hospital, these contracts extend over a two to three year period, which all bodes well for our immediate future.

Paragon Care Limited continues to position itself on the very front end of equipment innovation in respect to the hospital and aged care industry. The acquisition of GM Medical in July 2011 has taken our strategic positioning to a new level, where we are now able to manufacture and distribute stainless steel products throughout our customer base to their exact specifications.

In response to the difficult trading conditions, management undertook some restructuring which focused on fully integrating the various business units, reducing overheads and strengthening sales and marketing. As a result of these efforts, overheads have been significantly reduced.

One encouraging aspect of the 2011/12 financial year end was the strong finishing to the year in May and June. Our success in recent tenders and projects, together with a strong back order position, will return the Company back to solid profitability for 2012/13.

Outlook
A significant number of tenders are still in the pipeline awaiting decision whilst new tender opportunities are regularly becoming available. Paragon Care's recent tender successes and multi-year supply agreements will secure significant revenues in 2012/13 and 2013/14.

The Company has also secured two additional distribution agreements complimentary to the existing suite of products that we believe will deliver both short and long term growth potential.

A review of the first four months' financial performance will be provided at the upcoming Annual General Meeting, which will be held on 28th November, 2012. The new financial year has started very encouragingly, and this meeting will provide a very good sounding board towards our full year performance.

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

Shane Tanner
Chairman

"

Our success in recent tenders and projects, together with a strong back order position, will return the Company back to solid profitability for 2012/13

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Paragon Care Limited ("Company") and the entities it controlled at the end of, or during, the year ended 30 June 2012.

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

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

Mr Timothy Blanche was a Director for the whole of the financial year until his resignation on 3 July 2012.

Principal Activities
The principal continuing activity of the Group is the supply of durable medical equipment to the health and aged care markets.

The following significant changes in the nature of the activities of the Group occurred during the year:

a) New activity resulting from the acquisition of a subsidiary: manufacturing and sale of stainless steel products

b) Activity ceased through sale of a division: aged care services.

Operating Results and Review of Operations for the Year
Key financial highlights include:

	2011/12	2010/11
Revenue	$15.9M	$16.3M
EBITDA	$667,000	$1,390,000
Net Profit	($77,000)	$851,000
Debt	$6.6M	$8.1M

Weak trading conditions were an industry-wide problem during 2011/12, which was primarily due to the larger public hospitals deferring the purchase and replacement of non-critical equipment in the face of government budgetary pressures. Nonetheless, the Rapini (wire storage equipment) and Volker (premium beds) product ranges performed very well in 2011/12.

The result included a profit on the sale of the Aged Care Services division (Lifetime Planning and Tender Living Care businesses) of $0.3M together with the full impact of the acquisition of the GM Medical (acquired in July 2011) and Rapini (acquired in November 2010) businesses.

An encouraging aspect of the 2011/12 financial year end was the strong finishing to the year in May and June, the success in recent tenders/projects and a strong back order position which all combined will return the Company back to profitability for 2012/13.

Highlights of the year included:

- Completed the acquisition of GM Medical Pty Ltd, a manufacturer and distributor of medical stainless steel products in July 2011.
- Completed the sale of Lifetime Planning and Tender Living Care to Equity Trustees.
- Awarded a contract to supply St Vincent's Hospital, Melbourne with 400 Volker hospital patient beds and associated furniture to come online between August 2011 to February 2014.
- Awarded a contract to supply bedding systems to the Victorian Department of Human Services.
- Appointed by Hospital Purchasing Victoria as an approved supplier of Volker hospital patient beds and Park House premium mattresses.
- Awarded the Alfred Hospital bed contract, for the Volker range of high quality beds.
- Completion of the option exercise program which raised $1.3M cash.

In response to the difficult trading conditions, management undertook some restructuring which focussed on fully integrating the various business units, reducing overheads and strengthening sales and marketing. As a result of these efforts, overheads have been significantly reduced.

Notwithstanding the general operating environment, tender activity and project development work remained at high levels. Paragon Care was successful in winning several tenders which typically provided for multi-year supply arrangements.
A significant number of tenders are still in the pipeline awaiting decision whilst new tender opportunities are regularly becoming available. Reflecting Paragon Care's tender successes, multi-year supply agreements currently in place secure significant revenues in 2012/13 and 2013/14.

Given very long lead times and the long-term build up in pressure on the health care system, hospital development and refurbishment programs have been unaffected by short term government budgetary issues. There are a large number of programs in the pipeline that will generate considerable supply opportunities over the next 5 years or more. As was amply demonstrated with the company's successful supply of a very diverse range of products to the recently completed Royal Children's Hospital in Melbourne, Paragon Care is well placed to provide a single source capability to project managers.

Significant Changes in the State of Affairs
On 1st July 2011 the Company acquired all the issued share capital of GM Medical Pty Ltd, a business specialising in the manufacturing and distribution of quality healthcare products for the acute and aged care market throughout Australia and New Zealand. The consideration for the purchase of GM Medical Pty Ltd was comprised of a cash payment to the vendor of $1,822,761 and the issue of 250,000 PGC fully paid ordinary shares at 40 cents each.

On 11th June 2011 the Company announced its intention to sell the aged care services division comprising Lifetime Planning and Tender Living Care. The division was sold with effect from 1st August 2011. The profit on the sale of the business (before tax) was $284,408.

Matters Subsequent to the end of Financial Year
No matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

(a) the group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the group's state of affairs in future financial years.

Future Developments, Prospects and Business Strategies
The Company's focus for the coming year will be to continue to implement its strategy to consolidate its position of being a key provider of specialist durable medical products to the aged and health care markets.

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

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

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

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

Mr Shane Tanner	Mr Brett Cheong
Mr Mark Simari	Mr Timothy Blanche (resigned 3 July 2012)
Mr Michael Newton	

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

Directors' qualifications, experience, and responsibilities

Mr Shane F Tanner
Non-Executive Chairman, Age 59

Qualifications: FCPA, ACIS

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

Responsibilities:
Chairman of the Board
Chairman of the Remuneration Committee

Mr Mark A Simari
Managing Director, Age 43

Qualifications: B.Acc, Dip FS

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

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

Responsibilities:
CEO

Mr Michael C Newton
Non-Executive Director, Age 58

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

Experience:
Managing Director of Symex Limited from 1999 to 2007
Appointed as a Director on 22 June 2007

Responsibilities:
Member of the Remuneration Committee

Mr Brett A Cheong
Executive Director, Aged 53

Experience:
Founder and Managing Director of Axishealth May 2002 – June 2009 and with over 30 years experience in the durable medical equipment industry.
Appointed as a Director on 2 July 2009

Responsibilities:
Marketing Manager

Mr Timothy L Blanche
Executive Director, Aged 46

Qualifications:
B.App Sci and Grad Dip Management

Experience:
Over 25 years in healthcare sector in both the public and private health arenas and not for profits, with experience in consulting for pathology and radiology practices, medical centres, and hospitals.

Appointed as a Director on 2 July 2009

Resigned as a Director on 3 July 2012

Responsibilities:
Special Project & Key Account Manager

Company Secretary

Mr Darryl P Levin
Company Secretary, Aged 54

Qualifications:
MBA, B.Com, CA, CPA

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

Appointed as CFO on 6 October 2009 and Company Secretary on 1 February 2010

Meetings of Directors
The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each Director were:

	Directors' Meetings		Remuneration Committee	
	Number Eligible to attend	Number attended	Number Eligible to attend	Number attended
Mr S F Tanner	13	12	1	1
Mr M A Simari	13	13	-	-
Mr M C Newton	13	12	1	1
Mr B A Cheong	13	13	-	-
Mr T L Blanche	13	13	-	-

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

Directors and key management personnel disclosed in this report

Non-Executive and Executive Directors
(see Information on Directors, adjacent)

Other key management personnel:
D P Levin
Chief Financial Officer

M G Rice
National Sales Manager

C J Pearson
Business & Strategic Development Manager

S Woodruff
Senior Financial Planner – Lifetime Planning
(until 1 August 2011)

D Tomaras
General Manager – Tender Living Care
(until 1 August 2011)

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

> Non-Executive Directors fees

> Executive remuneration
(Directors and other key management personnel), and

> The over-arching executive remuneration framework

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

Principles used to determine the nature and amount of remuneration.

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

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

Directors' fees
The current Director's fees were last reviewed with effect from 1 July 2012. The following fees have applied:

Base Fees	From 1 July 2012	From 1 July 2011 to 30 June 2012
Chairman	$68,650	$73,125
Other Non-Executive Directors	$33,000	$43,000

Executive Pay
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

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

The Board has established a remuneration committee which makes recommendations to the Board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors and other senior executives. The Corporate Governance Statement provides further information on the role of this committee.

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

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

Voting and comments made at the Company's 2011 Annual General Meeting

Paragon Care Limited received the results shown in figure 1 for the vote on the resolution to adopt the remuneration report for the Financial Year ended 30 June 2011.

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

Company share performance & shareholder wealth and Director & executive remuneration

In considering Non-Executive Director and executive remuneration the Directors take into consideration the Company's share performance and shareholder wealth creation. During the financial year the Company's share price traded between a low of 19.5¢ and a high of 43.5¢. As at 30 June 2012 the Company's share price (ASX: PGC) was 19.5¢ per share. (see figure 2)

Figure 1: Voting for remuneration report

	Manner in which the security holder directed the proxy vote (as at proxy close):				Direct vote (as at proxy close):	
Resolution	**For**	**Against**	**Discretionary**	**Abstain**	**For**	**Against**
4 Remuneration Report	2,031,125	3,000	0	7,674,532	435,662	3,329

Figure 2: PGC Share Performance

Year Ended	30 June 2007	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012
Price High ¢	27.0	4.3	3.5	3.9	5.0	43.5
Price Low ¢	3.0	1.8	2.0	2.0	2.5	19.5
Price 30 June ¢	3.0	2.3	2.2	2.8	4.0	19.5
Earnings ¢ per share	(3.7)	(1.9)	(0.3)	0.1	0.3	(0.2)
Dividends	Nil	Nil	Nil	Nil	Nil	Nil
Net Asst $' million	1.18	0.56	3.13	3.35	5.05	6.45

Details of remuneration and service agreements

Service Agreements

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

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

Major provisions of the agreements as at 30 June 2012 relating to remuneration are set out below.

Name	Term of Agreement	Base salary including superannuation	Termination benefit
Non-Executive Directors			
Mr S F Tanner Non-Executive Chairman	No fixed term	$73,125	No termination benefit
Mr M C Newton Non-Executive Director	No fixed term	$43,000	No termination benefit
Executive Directors			
Mr M A Simari Executive Director / CEO	1 July 2011 to 30 June 2014 *	$225,000 ** (consultancy package)	6 months consultancy fee
Mr T L Blanche Executive Director / COO	1 June 2009 to 30 June 2012 ^^	$196,872 *** (consultancy package)	6 months consultancy fee
Mr B A Cheong Executive Director / Marketing Manager	No fixed term	$43,000 ^ (consultancy package)	No termination benefit
Other key management personnel			
Mr Darryl Levin Chief Financial Officer / Company Secretary	No fixed term	$166,350	No termination benefit
Mr Michael Rice National Sales Manager	No fixed term	$109,000	No termination benefit
Mr Chris Pearson Business and Strategic Development Manager	No fixed term	$130,800	6 months base salary

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

** Performance Bonus - The Consultancy Agreement provides for a bonus to be payable upon achieving performance criteria set in agreement with the Chairman. No performance criteria were set and no bonus paid in the year to 30 June 2012.

*** Performance Bonus - The Consultancy Agreement provides for a bonus to be payable upon achieving performance criteria set in agreement with the Managing Director. No performance criteria were set and no bonus paid in the year to 30 June 2012.

^ The consultancy package includes a fixed component (shown above) and a variable component based on the number of hours actually worked.

^^ The Consultancy Agreement was not renewed on expiry.

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

2012	Short-term employee benefits			Post employment benefits	Long term benefits	Share based payments	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Long service leave	Options	Total
	$	$	$	$	$	$	$
Non-Executive Directors							
Mr S F Tanner	69,448	-	-	-	-	-	69,448
Mr M C Newton	39,996	-	-	-	-	-	39,996
Executive Directors							
Mr M A Simari	208,085	-	13,727	-	-	-	221,812
Mr T L Blanche	205,278	-	-	-	-	-	205,278
Mr B A Cheong	132,875	-	-	-	-	-	132,875
Other key management personnel							
Mr D P Levin	129,730	-	14,827	37,528	-	-	182,085
Mr M G Rice	100,918	-	25,240	9,083	-	-	135,241
Mr C Pearson	120,000	-	15,159	10,800	5,149	-	151,108
Mrs S Woodruff	6,597	-	-	594	696	-	7,887
Ms D Tomaras	6,750	-	-	3,878	84	-	10,712
Total	1,019,677	-	68,953	61,883	5,929	-	1,156,442

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

2011	Short-term employee benefits			Post employment benefits	Long term benefits	Share based payments	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Long service leave	Options	Total
	$	$	$	$	$	$	$
Non-Executive Directors							
Mr S F Tanner	64,167	-	-	-	-	-	64,167
Mr M C Newton	39,417	-	-	-	-	-	39,417
Executive Directors							
Mr M A Simari	198,017	-	-	-	-	-	198,017
Mr T L Blanche	173,112	-	-	-	-	-	173,112
Mr B A Cheong	110,843	-	-	-	-	-	110,843
Other key management personnel							
Mr D P Levin	141,615	-	-	19,285	-	-	160,900
Mr C Pearson	118,931	-	15,000	10,704	3,463	10,000	158,098
Mrs S Woodruff	92,917	1,500	-	47,603	2,287	-	144,307
Ms D Tomaras	75,000	750	-	6,750	8,242	-	90,742
Total	1,014,019	2,250	15,000	84,342	13,992	10,000	1,139,603

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

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

Directors' interest in contracts with the Company

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

The Paragon Healthcare business leases premises from Mr Brett Cheong and Mrs Lyn Cheong, Mr Cheong being a Director of the Company. The lease runs for 5 years from 1 January 2008 with an option for two further terms each of three years. The rent paid is on commercial terms and the directors consider Mr Cheong's association with the arrangement is on arm's-length terms and conditions. The total rent payable to Mr and Mrs Cheong by the Company for the year ended 30 June 2012 was $150,000.

Directors' interests

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

	Fully paid ordinary shares (PGC)	Unlisted options 30¢ 30/05/2013
Mr S F Tanner	1,702,867	100,000
Mr M A Simari	1,240,970	100,000
Mr M C Newton	189,567	-
Mr B A Cheong	2,833,208	-

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

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

Share options

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

Options	Number	Term	Exercise Price
Unquoted options	1,325,000	30 May 2013	$0.30

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

Shares issued as a result of the exercise of options

The following ordinary shares of Paragon Care Limited were issued during the year ended 30 June 2012 on the exercise of options previously granted under the Company's option scheme which expired on 31 May 2012.

Expiry Date	Issue price of shares	Number of shares issued
31 May 2012	$0.20	6,917,000

Since the end of the financial year no fully paid ordinary shares (PGC) have been issued as a result of the exercise of options.

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

Indemnification and Insurance of Directors and Officers

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

Directors and officers indemnity

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

Proceedings on behalf of company

No person has applied for leave of the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

Auditor

RSM Bird Cameron was appointed Company auditor on 27 November 2009 and will continue in office in accordance with section 327 of the *Corporations Act 2001*.

Non-Audit Services

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

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

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

	2012 $	2011 $
Audit Services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	78,200	63,225
Non audit services		
Taxation services	33,000	23,215
Other services	1,800	700

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Signed in accordance with a resolution of the Directors:

S F Tanner
Chairman
31 August 2012

RSM Bird Cameron Partners

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T +61 3 9286 1800 **F** +61 3 9286 1999
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Paragon Care Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Miano

R B MIANO
Partner

31 August 2012
Melbourne, Victoria

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue from continuing operations			
Revenue	3	15,759,233	16,341,196
Cost of sales		(8,807,166)	(9,659,105)
Gross profit		**6,952,067**	**6,682,091**
Other income	4	5,362	16,777
Operating costs		(1,740,012)	(1,466,346)
Corporate costs		(278,504)	(259,331)
Finance costs		(728,640)	(607,662)
Selling and distribution costs		(211,295)	(187,100)
Employee and consultants costs (incl. directors fees and remuneration)		(4,569,882)	(3,522,764)
Profit/(loss) before tax		**(570,904)**	**655,665**
Income tax expense	7	246,311	195,518
Profit/(loss) from continuing operations		**(324,593)**	**851,183**
Profit/(loss) from discontinued operation	21	247,109	-
Profit for the year		**(77,484)**	**851,183**
Other Comprehensive Income			
Issue of options		-	10,000
Gain (Loss) on cash flow hedges		(14,728)	(77,893)
Other comprehensive income for the year, net of tax		**(14,728)**	**(67,893)**
Total comprehensive income for the year		**(92,212)**	**783,290**
Profit for the period attributable to:			
Owners of the parent		(77,484)	851,183
		(77,484)	851,183
Total comprehensive income for the year attributable to:			
Owners of the parent		(92,212)	783,290
		(92,212)	783,290
Earnings per share			
Basic (cents per share)	24	(0.2)	0.3
Diluted (cents per share)	24	(0.2)	0.2

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

Consolidated Statement of Financial Position

For the year ended 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	8	1,325,194	2,851,775
Inventories	9	2,819,188	2,683,439
Trade and other receivables	10	2,707,426	3,638,707
Total current assets		6,851,808	9,173,921
Non-current assets			
Trade and other receivables	10	-	346,349
Plant and equipment	12	852,665	790,435
Deferred Tax Assets	7	424,157	393,162
Intangibles	13	8,383,134	7,351,006
Total non-current assets		9,659,957	8,880,952
TOTAL ASSETS		**16,511,765**	**18,054,873**
LIABILITIES			
Current liabilities			
Trade and other payables	14	3,006,853	4,364,901
Interest bearing liability	15	2,388,524	5,452,998
Other financial liabilities	11	66,509	51,781
Current tax liabilities		-	12,747
Provisions	16	339,461	265,179
Total current liabilities		5,801,347	10,147,606
Non-current liabilities			
Interest bearing liability	15	4,227,353	2,640,870
Deferred tax liabilities	7	-	181,905
Provisions	16	36,998	29,614
Total non-current liabilities		4,264,351	2,852,389
TOTAL LIABILITIES		**10,065,698**	**12,999,995**
NET ASSETS		**6,446,067**	**5,054,878**
EQUITY			
Contributed equity	17	12,065,884	10,582,484
Reserves	18	(66,509)	495,104
Accumulated losses		(5,553,309)	(6,022,710)
TOTAL EQUITY		**6,446,067**	**5,054,878**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Share capital	Share option reserve	Currency hedge reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 July 2010	9,659,520	536,885	26,112	(6,873,892)	3,348,625
Profit / (loss) for the year	-	-	-	851,183	851,183
Issue of options	-	10,000	-	-	10,000
Gain / (loss) on cash flow hedge	-	-	(77,893)	-	(77,893)
Total comprehensive income for the year	-	10,000	(77,893)	851,183	783,290
Issue of share capital	922,964	-	-	-	922,964
Balance at 30 June 2011	10,582,484	546,885	(51,781)	(6,022,710)	5,054,878
Balance at 1 July 2011	10,582,484	546,885	(51,781)	(6,022,710)	5,054,878
Profit / (loss) for the year	-	-	-	(77,484)	(77,484)
Issue of options	-	-	-	-	-
Gain / (loss) on cash flow hedge	-	-	(14,728)	-	(14,728)
Total comprehensive income for the year	-	-	(14,728)	(77,484)	(92,212)
Transfer of reserve to accumulated losses	-	(546,885)	-	546,885	-
Issue of share capital	1,483,400	-	-	-	1,483,400
Balance at 30 June 2012	12,065,884	-	(66,509)	(5,553,309)	6,446,067

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		16,841,098	15,323,546
Payments to suppliers and employees		(16,462,559)	(14,425,906)
Interest and other items of similar nature paid		(617,817)	(741,211)
Interest received		40,734	24,977
Income taxes paid		(112,205)	(35,654)
Net cash provided by / (used in) operating activities	8(b)	(310,749)	145,752
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(1,714,988)	(2,820,424)
Proceeds from sale of business		1,384,589	-
Proceeds from sale of other financial assets		-	350,000
Proceeds from sale of plant and equipment		72,890	24,644
Payment for plant and equipment		(270,486)	(445,167)
Payment for development of website		-	(25,075)
Net cash provided by / (used in) investing activities		(527,995)	(2,916,022)
Cash flows from financing activities			
Proceeds from borrowings		745,078	4,532,197
Repayment of borrowings		(2,738,135)	(1,311,081)
Proceeds from issues of securities		1,383,400	897,250
Other - share issue costs		(78,180)	-
Net cash provided by / (used in) financing activities		(687,837)	4,118,366
Net increase / (decrease) in cash and cash equivalents		(1,526,581)	1,348,096
Cash and cash equivalents at the beginning of the financial year		2,851,775	1,503,679
Cash and cash equivalents at the end of the financial period	8(a)	1,325,194	2,851,775

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

Note 1 Summary of Significant Accounting Policies
The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Paragon Care Limited and its subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

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

Service
Revenue from service is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a percentage of the total services to be provided.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

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

Fees for advice are recognised upon receipt of the fee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

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

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

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

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

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

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

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

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

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

(m) Financial instruments
Recognition and initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the group becomes a party to the contractual provisions of the instruments. Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Those financial instruments entered into by the group are classified and measured as set out below.

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

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

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

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

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

Hedge accounting
The group designates certain derivatives as either:

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

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

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

(i) Fair Value Hedge
Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

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

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

(n) Property, Plant & Equipment
Each class of property, plant and equipment is stated at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses

Plant and Equipment
Plant and equipment are measured on the historical cost basis.

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

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

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

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

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

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

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

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

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

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

Website Development
Website development costs are capitalised only when incurred.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the website, generally about two years.

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

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

(s) Employee benefits

Wages and Salaries and Annual Leave

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

Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash outflows.

Superannuation

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

Share Based Payments

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

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

(t) Goods and Services Tax (GST)

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

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

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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

(v) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(w) Comparative figures

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

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

(x) New Accounting standards for application in future periods

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

Reference	Title	Summary	Application date (financial years beginning)
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013 (likely to be extended 2015 by ED 215)
2009-11	Amendments to Australian Accounting Standards arising from AASB 9	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2013
2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127 for amendments to AASB 9 in December 2010	1 January 2013
AASB 10	Consolidated Financial Statements	Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements.	1 January 2013
AASB 12	Disclosure of Interests in Other Entities	Replaces the disclosure requirements of AASB 127 and AASB 131 pertaining to interests in other entities.	1 January 2013
AASB 127	Separate Financial Statements	Prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013
2011-7	Amendments to Australian Accounting Standards arising from AASB 10, 11, 12, 127, 128	Amends AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17 as a result of the issuance of AASB 10, 11, 12, 127 and 128	1 January 2013
AASB 13	Fair Value Measurement -	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	1 January 2013
2011-8	Amendments to Australian Accounting Standards arising from AASB 13	Amends AASB 1, 2, 3, 4, 5, 7, 9, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132 as a result of issuance of AASB 13 *Fair Value Measurement*.	1 January 2013
2012-1	Further Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements	This Standard makes amendments to AASB 3, 7, 13, 140 and 141 to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*.	1 July 2013
AASB 119	Employee Benefits	Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits.	1 January 2013
2011-10	Amendments to Australian Accounting Standards arising from AASB 119	Amends AASB 1, 8, 101, 124, 134, 1049, 2011-8 & Interpretation 14 as a result of the issuance of AASB 119 *Employee Benefits.*	1 January 2013
2010-10	Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters	Amends AASB 1 for first-time adopters	1 January 2013
2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	This Standard makes amendments to Australian Accounting Standard AASB 124 *Related Party Disclosures*.	1 July 2013
2011-6	Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements	This Standard makes amendments to AASB 127, 128 & 131.	1 July 2013

Reference	Title	Summary	Application date (financial years beginning)
2011-9	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	Amends AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049 as a consequence of the issuance of AASB 101 *Presentation of Items of Other Comprehensive Income*.	1 July 2012
2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the (potential) effect of netting arrangements. It also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.	1 January 2013
2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	1 January 2014
2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	This Standard makes amendments to AASB 1, 101, 116, 132, 134 & Interpretation 2 as a result from 2009-2011 Annual Improvements Cycle.	1 January 2013

Note 2 Critical accounting estimates and judgements

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

(i) Impairment of Goodwill

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. With respect to cash flow projections for the Group's businesses based in Australia, revenue growth rates of between 10 – 22% have been factored into valuation models for the next five years. This is on the basis of management's expectation of increased government expenditure in both the acute and aged care market sectors, much of which has already been publicly announced, and their belief in the Group's continued ability to capture a significant share of this expenditure. The rates used incorporate allowance for inflation. Pre-tax discount rates of 9.1% have been used in all models. No impairment has been recognised in respect of goodwill at the end of the reporting period.

NOTE 3 Revenue

	2012 $	2011 $
Trading Revenue		
Sale of Goods	15,718,566	14,661,391
Commissions & Fees	-	1,655,095
	15,718,566	16,316,486
Other income		
Interest	40,667	24,710
Total Other Income	40,667	24,710
Total Revenue	**15,759,233**	**16,341,196**

NOTE 4 Other Income

	2012 $	2011 $
Net gain on disposal of fixed assets	5,362	726
Net gain on sale of investments accounted for using the equity method	-	16,051
	5,362	**16,777**

NOTE 5 Expenses

	2012 $	2011 $
Profit before income tax expense includes the following specific expenses:		
Depreciation of plant and equipment	240,200	132,655
Amortisation of website development costs	18,162	12,283
Net loss on sale of fixed assets	12,355	7,943
Costs of sale of discontinued operations	80,653	-
Costs of business combination	-	54,000
Employee share option costs	-	10,000
Employee Benefits expense	3,433,413	2,402,762

NOTE 6 Auditors' Remuneration

	2012 $	2011 $
During the year the auditor of the Group earned the following remuneration:		
Audit and review of financial reports	78,200	63,225
Tax consulting services	33,000	23,215
Other consulting services	1,800	700
Total remuneration	**113,000**	**87,140**

NOTE 7 Income Tax

	2012 $	2011 $
(a) Income tax expense / (benefit)		
Current tax	-	12,747
Deferred tax	(233,564)	(211,257)
Adjustments for current tax of prior periods	(12,747)	2,992
	(246,311)	**(195,518)**
(b) Deferred income tax (revenue) / expense included in income tax expense comprises:		
Decrease / (increase in deferred tax assets)	(30,995)	(393,162)
(Decrease) / increase in deferred tax liability	(202,569)	181,905
	(233,564)	**(211,257)**
c) The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows;		
Prima facie income tax payable on profit before income tax at 30%	(97,138)	196,700
Add tax effect of:		
- entertainment expenses	1,377	2,360
- net capital gain on sale of businesses	140,461	-
- other non-deductible expenses	22,854	30,950
- other assessable income	-	11,501
- income tax losses not brought into account	59,990	-
- underprovision in income tax in prior year	-	2,992
- overprovision of deferred tax assets in prior year	88,718	-
Less tax effect of:		
- s40-880	(21,474)	(16,267)
- capital losses utilised	(225,783)	-
- write back of deferred tax liability on sale of businesses	(202,569)	-
- overprovision of income tax in prior year	(12,747)	-
- recognition of tax losses not previously brought to account	-	(197,033)
- recognition of timing differences not previously brought to account	-	(35,650)
- previously unrecognised tax losses	-	(191,070)
Income tax expense / (benefit) attributable to profit	**(246,311)**	**(195,518)**
(d) Deferred tax assets		
The balance comprises:		
- Provisions / accruals	25,109	16,493
- Provision for employee entitlements	118,468	93,124
- Provision for stock	89,510	92,475
- Carry forward tax losses	191,070	191,070
Deferred tax liabilities		
The balance comprises:		
- trailing commission receivable	-	(181,905)
Balance after set off of deferred tax assets and (liabilities)	**424,157**	**211,257**
Deferred tax asset not recognised comprise:		
Unrecognised tax losses	1,179,327	1,185,789
Timing differences	-	-
	1,179,327	**1,185,789**

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

NOTE 8 Statement of Cash Flows	2012	2011
	$	$
(a) Cash at bank and on hand	1,325,194	2,851,775
(b) Reconciliation of operating profit (loss) after income tax to net cash used in operating activities		
Operating profit after income tax	(77,484)	851,183
Non cash items		
Depreciation & amortisation	258,362	144,938
Movement in net present value of future trailing commissions	-	(156,349)
(Profit)/loss on disposal of assets	6,993	(8,834)
Change in operating assets and liabilities		
(Increase)/ decrease in trade debtors	908,020	(784,001)
(Increase)/ decrease in other debtors	104,198	(69,484)
(Increase)/ decrease in inventory	137,012	(859,653)
Increase /(decrease) in provisions	256,609	119,435
Increase /(decrease) in accounts payable and other payables	(1,691,559)	1,165,172
Increase/(decrease) in deferred tax liability	(212,900)	(256,655)
Net cash outflows from operating activities	**(310,749)**	**145,752**

(c) Non cash financing and investing activities

Other Non Cash Share Issues

In financial year ended 30 June 2012

In July 2011 the Company issued 250,000 Paragon Care Ltd ordinary shares as part consideration for the acquisition of the assets of the GM Medical business. The value of the shares issued as at the date of issue was $100,000.

In financial year ended 30 June 2011

In September 2010 the Company issued 857,143 Paragon Care Ltd ordinary shares as part consideration for the acquisition of the Tender Living Care business. The value of the shares issued as at the date of issue was $25,714.

In October 2010 the Company issued 1 million Paragon Care Ltd listed options exercisable at two cents on or before 31 May 2012 being sign on consideration for a new employee. The value of the options issued at the date of issue was $10,000.

In December 2010 the Company issued 14,166,667 Paragon Care Ltd ordinary shares as part consideration for the acquisition of the assets of Rapini Pty Ltd. The value of the shares issued as at the date of issue was $425,000.

(d) Financing Facilities

Refer Note 19 (c)

NOTE 9 Inventories	2012	2011
	$	$
Current		
Raw material	244,623	-
Work in progress	48,415	-
Finished goods	2,526,150	2,683,439
	2,819,188	**2,683,439**
Movements in the provision for inventory written down to net realisable value are as follows:		
At 1 July	319,912	60,743
Increase through business combinations	-	259,169
Amounts written off	(21,544)	-
As at 30 June	**298,368**	**319,912**

NOTE 10 Trade and Other Receivables

	2012 $	2011 $
Current		
Trade and other receivables	2,542,680	3,109,235
Trailing commissions receivable	-	260,000
GST receivable	105,161	120,359
Other receivables	59,585	149,112
	2,707,426	3,638,707
Non-current		
Trailing commissions receivable	-	346,349

(a) Impaired trade receivables

As at 30 June 2012 current trade receivables of the Group with a nominal value of $nil (2011: $nil) were impaired:

The ageing of these receivables is as follows:

	2012	2011
Up to 3 months	-	-
4 to 6 months	-	-
Over 6 months	-	-
	-	**-**

Movements in the provision for impairment of receivables are as follows:

	2012	2011
At 1 July		9,397
Change for the year		(9,397)
Amounts written off as uncollectable	-	-
As at 30 June	**-**	**-**

(b) Past due but not impaired

As at 30 June 2012, trade receivables of $906,737 (2011: $1,598,051) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012	2011
Up to 3 months	869,430	1,556,725
3 to 6 months	37,307	41,326
	906,737	**1,598,051**

(c) Other receivables

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

(d) Fair value and credit risk

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

NOTE 11 Derivative Financial Instruments

	2012	2011
	$	$
Current liabilities		
Foreign exchange forward contracts - cash flow hedges	66,509	51,781
	66,509	**51,781**

Foreign exchange forward contracts - cash flow hedges

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

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

NOTE 12 Plant and Equipment

	2012	2011
	$	$
Non Current Assets		
Furniture, Fittings and Equipment - at cost	850,017	711,249
Less accumulated depreciation	(487,244)	(303,127)
Motor Vehicles - at cost	844,972	669,299
Less accumulated depreciation	(355,080)	(286,986)
Total Plant and Equipment	**852,665**	**790,435**
Movement in carrying amount during the year:		
Beginning of year WDV	790,435	469,673
Additions at cost	270,486	391,162
Acquisition through business combinations	115,256	57,775
Disposals	(83,312)	4,480
Depreciation	(240,200)	(132,655)
End of year WDV	**852,665**	**790,435**
(a) Leased assets		
Non current assets includes the following amounts where the group is a lessee under a finance lease:		
Leasehold equipment		
Cost	676,146	422,721
Less accumulated depreciation	(150,298)	(27,927)
Written down value	**525,848**	**394,794**

NOTE 13 Intangible Assets

	2012 $	2011 $
Website Development Costs	12,539	30,701
Formation Expenses	-	-
Goodwill	8,370,595	7,320,305
	8,383,134	**7,351,006**
Website development costs		
Beginning of year	30,701	17,909
Additions at cost	-	25,075
Amortisation	(18,162)	(12,283)
End of year	**12,539**	**30,701**
The website development costs are amortised over two years.		
Formation Expenses		
Beginning of year	-	130
Acquisition through business combinations	-	-
Amortisation	-	(130)
End of year	**-**	**-**
Goodwill		
Beginning of year	7,320,305	5,168,911
Additions - Rapini	-	2,151,394
Additions - GM Medical	1,573,788	-
Less - LTP & TLC	(523,498)	-
End of year	**8,370,595**	**7,320,305**

Goodwill

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

Key assumptions of these projections included:

- Management projections of income and expenses for the five years to 30 June 2016.
- Management projections for growth in each of the businesses over the five year period.
- Application of a three times multiplier for the 2016 year net cash flow to estimate the residual value.
- A discount rate of 9.1% was used, being an estimate of the Company's weighted average cost of capital, being the required rate of return for companies in a similar business.

The net present value estimate of the businesses exceeds the aggregate value of each cash generating unit's assets including the book value of goodwill. At 30 June 2012, there is no indication of impairment of goodwill.

NOTE 14 Trade and other payables

	2012 $	2011 $
Current		
Trade creditors	2,157,341	3,136,777
Other creditors	563,737	1,010,581
Accrued expenses	285,775	217,544
	3,006,853	**4,364,902**

NOTE 15 Borrowings	2012	2011
	$	$
Current		
Secured		
Bank Loans	2,263,469	2,384,750
Lease Liabilities	125,055	68,808
	2,388,524	**2,453,558**
Unsecured		
Convertible Notes	-	3,000,000
	-	3,000,000
Total Current Borrowings	**2,388,524**	**5,453,558**
Non Current		
Secured		
Bank Loans	-	810,000
Lease Liabilities	452,353	330,870
	452,353	1,140,870
Unsecured		
Loan	3,775,000	1,500,000
	3,775,000	1,500,000
Total Non Current Borrowings	**4,227,353**	**2,640,870**
(a) Secured liabilities and assets pledged as security		
The total secured liabilities (current and non current) are as follows:		
Bank Loans	2,263,469	3,194,750
Lease Liabilities	577,408	399,678
	2,840,877	**3,594,428**

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

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

(b) Loan

The parent entity borrowed $1,500,000 from a private investor in June 2011. The loan is for a three year period due for repayment in June 2014. Interest, at 10% per annum is payable quarterly in arrears.

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

(c) Covenant

Under the terms and conditions applying to the Group's banking facilities with the Commonwealth Bank, the Debt Service Coverage Ratio requirement of 1.00 times for the half year ended 30 June 2012 was not met. The bank has reserved is rights in respect of the breach, pending its annual review. As a result, all of the bank loan borrowings have been reclassified to current.

NOTE 16 Provisions

	2012	2011
	$	$
Current		
Employee entitlements	339,461	265,179
	339,461	**265,179**
Non Current		
Employee Entitlements	36,998	29,614
	36,998	**29,614**

NOTE 17 Contributed Equity	2012	2013
	$	$
Fully paid ordinary shares	12,065,884	10,582,484

(a) Ordinary shares

The Company has unlimited authorised capital with no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

Date		Number of Shares	$
1 Jul 10	**Opening balance**	**222,337,816**	**9,659,520**
1 Oct 10	Part consideration for equity in Tender Living Care business at issue price of $0.03	857,143	25,714
1 Dec 10	Part consideration for acquisition of assets of Rapini Pty Ltd at issue price of $0.03	14,166,667	425,000
29 Jun 11	Issue of shares pursuant to the company's share purchase plan at issue price of $0.034	13,889,678	472,250
30 Jun 11	**Closing balance**	**251,251,304**	**10,582,484**
5 Jul 11	Part consideration for acquisition of GM Medical Pty Ltd at issue price of $0.04	2,500,000	100,000
2 Aug 11	Adjustment following the 10 for 1 consolidation of capital	(228,376,412)	-
22 Jun 12	Exercise of previously quoted PGCOA options that expired 31 May 2012	6,917,000	1,383,400
30 Jun 12		**32,291,892**	**12,065,884**

(b) Capital Management

When managing capital, the directors' objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders. The directors also aim to maintain a capital structure that ensures the lowest cost of capital available to the Company. The directors are constantly monitoring the Company's capital requirements and capital structure to take advantage of favourable opportunities for raising capital. The directors have no current plans to issue further shares or options on the market unless it concludes a further business acquisition.

The gearing ratios for the years ending 30 June 2012 and 2011 were as follows:	2012	2011
	$	$
Total Borrowings	6,615,877	8,093,868
Less Cash and Cash Equivalents	(1,325,194)	(2,851,775)
Net Debt	5,290,683	5,242,093
Total Equity	6,446,067	5,054,878
Total Capital	**11,736,750**	**10,296,971**
Gearing Ratio	45%	51%

The Group is not subject to any externally imposed capital requirements

(c) Options outstanding as at 30 June 2012

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

NOTE 17 Contributed Equity Continued

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

Date Granted	Note	Opening Balance 01/07/11	Number Granted	Number Exercised	Number Expired	Closing Balance 30/06/12
Note: All numbers are stated after the 10 for 1 equity consolidation						
Listed Options						
Share Based Payments						
28 May 08	(I)	150,000	-	-	-	-
15 Jun 09	(II)	500,000	-	-	-	-
Sub Total		650,000	-	-	-	-
Other Options						
21 Aug 07	(III)	2,630,423	-	-	-	-
30 Jun 08	(IV)	700,444	-	-	-	-
4 Jul 08	(IV)	650,000	-	-	-	-
23 Jul 08	(IV)	2,050,765	-	-	-	-
1 May 09	(III)	400,000	-	-	-	-
15 & 18 Jun 09	(III)	7,200,000	-	-	-	-
15 Jun 09	(III)	400,000	-	-	-	-
1 Feb 10	(III)	200,000	-	-	-	-
15 Oct 10	(III)	100,000	-	-	-	-
2 Aug 11	(VI)	(36)	-	-	-	-
Total Listed Options		14,981,596	-	(6,917,000)	(8,064,596)	-
Unlisted Options						
Other Options						
8 Jun 10	(V)	1,025,000	-	-	-	1,025,000
14 Oct 10	(V)	300,000	-	-	-	300,000
Total Unlisted Options		1,325,000	-	-	-	1,325,000
Total for all Options		**16,306,596**	**-**	**(6,917,000)**	**(8,064,596)**	**1,325,000**

Notes

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

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

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

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

(V) The exercise price is $0.030. The options are unlisted and exercisable prior to 30 May 2013. Issued for no consideration.

(VI) Rounding adjustment on 10 for 1 equity consolidation.

NOTE 18 Reserves	2012 $	2011 $
Share option reserve	-	546,885
Currency hedge reserve	(66,509)	(51,781)
	(66,509)	**495,104**

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

		Number	Weighted Average Exercise Price	Share Option Reserve
1 July 2010	Number of options bought forward	15,906,632		536,885
13 Oct 10	(I) Options issued as employee sign-on fee	100,000	0.100	10,000
17 Dec 10	(II) Option entitlement for placement of convertible notes	300,000		-
30 June 2011	Options at balance date	16,306,632		546,885
2 Aug 11	Rounding adjustment on 10 for 1 equity consolidation	(36)		-
31 May 12	Options exercised & expired	(14,981,596)		(546,885)
30 June 2012	Options at balance date	1,325,000		-

(I) Options are listed, expire on 31 May 2012, and are currently fully vested and exercisable.
(II) Options are not listed, expire on 30 May 2013, and are currently fully vested and exercisable.

Movements in currency hedge reserve were as follows:	2012 $	2011 $
Beginning of year	(51,781)	26,112
Revaluation	(14,728)	(77,893)
End of year	**(66,509)**	**(51,781)**

NOTE 19 Financial Risk Management

The Group's activities expose it to a variety of financial risk: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Derivative financial instruments are used by the Group to hedge exposure to exchange rate risk associated with foreign currency transactions. Derivatives are used exclusively for hedging purposes, i.e. not as trading or other speculative instruments.

(a) Market Risk

(i) Forward exchange risk

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

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

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

	2012 $	2011 $
Forward exchange contracts		
- buy foreign currency (cash flow hedges)		
USD	548,694	545,757
Euro	1,581,673	35,838
	2,130,367	**581,595**

(ii) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with the floating interest rate. The Company's policy is not to actively manage interest cost. At 30 June 2012 $1,169,150 (2011 $1,804,979) of the Company's debt is at a variable rate of interest.

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

$	2012 $	2011
Financial Assets		
Cash and cash equivalents (interest bearing)	878,183	1,306,097
Financial Liabilities		
Interest bearing liabilities - variable rate (current)	(1,169,150)	(1,804,979)
Interest bearing liabilities - fixed rate (current)	(559,374)	(3,648,579)
Interest bearing liabilities - variable rate (non current)	-	-
Interest bearing liabilities - fixed rate (non current)	(4,887,353)	(2,640,870)
	(6,615,877)	**(8,094,428)**

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. For customers, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management.

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

NOTE 19 Financial Risk Management Continued

(c) Liquidity risk

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

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

	2012	2011
	$	$
Floating Rate		
Expiring within one year		
Total Facility	2,069,150	1,904,419
Undrawn amount	615,681	99,440
Expiring beyond one year		
Total Facility	-	-
Undrawn amount	-	-
Fixed Rate		
Expiring within one year		
Total Facility	810,000	1,160,000
Undrawn amount	-	580,229
Expiring beyond one year		
Total Facility	3,775,000	2,310,000
Undrawn amount	-	-
Total		
Total Facility	**6,654,150**	**5,374,419**
Undrawn amount	**615,681**	**679,669**

Maturities of financial liabilities

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

Contractual maturities of financial liabilities	Less than 6 months	6 to 12 months	Between 1 and 2 Years	Between 2 and 5 Years	Total contractual cash flows
2012	$	$	$	$	$
Non-derivatives					
Non-interest bearing	3,006,853	-	-	-	3,006,853
Variable rate	123,100	1,046,050	-	-	1,169,150
Fixed rate	395,333	164,041	1,848,026	3,039,327	5,446,727
Total	**3,525,286**	**1,210,091**	**1,848,026**	**3,039,327**	**9,622,730**
2011					
Non-derivatives					
Non-interest bearing	4,364,901	-	-	-	4,364,901
Variable rate	512,729	1,292,250	-	-	1,804,979
Fixed rate	433,327	3,215,252	981,864	1,659,006	6,289,449
Total	**5,310,957**	**4,507,502**	**981,864**	**1,659,006**	**12,459,329**

NOTE 19 Financial Risk Management Continued

(d) Fair value measurements

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

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

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

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

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

The following table present the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011.

At 30 June 2012	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Forward foreign exchange contracts	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Forward foreign exchange contracts	-	66,509	-	66,509
Total liabilities	**-**	**66,509**	**-**	**66,509**

At 30 June 2011				
Assets				
Forward foreign exchange contracts	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Forward foreign exchange contracts	-	51,781	-	51,781
Total liabilities	**-**	**51,781**	**-**	**51,781**

NOTE 20 Segment Information

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

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

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

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

The Financial and Aged Care Services division was sold effective from 1 August 2011. Information about this discontinued segment is provided in note 21.

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

	Aged Care Services	Medical Equipment	Corporate	Total
	$	$	$	$
2012				
Revenue from external customers	136,451	15,718,727	40,506	15,895,684
Reportable segment EBIT	251,380	1,056,681	(898,945)	409,116
Reportable segment assets	-	6,344,269	10,167,496	16,511,765
Reportable segment liabilities	-	7,458,317	2,607,381	10,065,698
2011				
Revenue from external customers	1,650,807	14,667,870	22,519	16,341,196
Reportable segment EBIT	478,413	1,658,044	(873,130)	1,263,327
Reportable segment assets	1,399,354	10,983,868	5,671,651	18,054,873
Reportable segment liabilities	595,705	9,183,707	3,220,584	12,999,996

	2012	2011
	$	$
Reconciliation of reportable segment profit or loss		
Total profit or loss for reportable segments	409,116	1,263,327
Profit from discontinued operations	(247,109)	-
Finance costs	(732,912)	(607,662)
Profit before tax from continuing operations	**(570,905)**	**655,665**

NOTE 21 Discontinued operations

a) Background

On 11th June 2011 the Company announced its intention to sell the aged care services division comprising Lifetime Planning and Tender Living Care. The division was sold with effect from 1st August 2011. Financial information relating to the discontinued operation for the period to the date of disposal is below:

(b) Financial performance and cash flow information

	2012	2011
	$	$
Revenue	136,384	1,650,180
Expenses	(173,683)	(1,213,152)
Profit/(loss) before tax	(37,299)	437,028
Income tax expenses	-	-
Profit after income tax expense of discontinued operations	**(37,299)**	**437,028**
Gain on sale of the division before income tax	284,408	-
Income tax expense	-	-
Gain on sale of the division after income tax	284,408	-
Profit from discontinued operation	**247,109**	**437,028**
Net cash flow from ordinary operations	280,704	220,708
Net cash from investing activities	61,532	(300,417)
Net cash from financing activities	(389,069)	(23,431)
Net increase in cash generated by the division	(46,833)	(103,140)
c) Carrying amounts of assets and liabilities	1 Aug 2011	
Plant and equipment	8,245	-
Trade receivables	1,140,153	-
Total assets	**1,148,398**	**-**
Provision for employee benefits	48,217	-
Total liabilities	48,217	-
Net Assets	**1,100,181**	**-**
d) Details of the sale of the division	$	$
Consideration received or receivable - Cash	1,384,589	-
Total disposal consideration	1,384,589	-
Carrying amount of net assets sold	1,100,181	-
Gain on sale before income tax	**284,408**	**-**
Income tax expenses	-	-
Gain on sale after income tax	**284,408**	**-**

NOTE 22 Related Party Disclosure

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

(a) Subsidiaries

	Ownership 30 June 2012	Ownership 30 June 2011
Parent Entity		
Paragon Care Limited		
Subsidiaries		
Nogarap L Pty Ltd	100%	100%
Nogarap T Pty Ltd	100%	100%
Paragon Healthcare Pty Ltd	100%	100%
Iona Medical Products Pty Ltd	100%	100%
Volker Australia Pty Ltd	100%	100%
Rapini Pty Ltd	100%	100%
GM Medical Pty Ltd	100%	-

(b) Ultimate Parent

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

(c) Transactions with related parties

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

Disclosures relating to key management personnel are set out in note 23.

(d) Loan to related parties

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

Details of the loans are shown below.

	2012 $	2011 $
Loans to / (from):		
Lifetime Planning Pty Ltd	(801,251)	(106,417)
Tender Living Care Australia Pty Ltd	(269,507)	165,630
Paragon Healthcare Pty Ltd	5,798,646	3,396,194
	4,727,888	**3,455,407**

NOTE 23 Key Management Personnel Disclosures

(a) Key management personnel compensation

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

	2012	2011
	$	$
Short term employee benefits	1,088,630	1,031,269
Post employment benefits	61,883	84,342
Others - short term benefits	5,929	13,992
Share-based payments	-	10,000
	1,156,442	**1,139,603**

(b) Equity instrument disclosures relating to key management personnel

(i) Share holdings

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

Directors	Balance 1 July 2011	Shares acquired	Shares disposed	Other changes	Balance 30 June 2012
S F Tanner	1,130,000	572,867	-	-	1,702,867
M A Simari	1,211,558	29,412	-	-	1,240,970
M C Newton	145,450	44,117	-	-	189,567
B A Cheong	2,789,091	44,117	-	-	2,833,208
T L Blanche	2,452,122	44,117	-	-	2,496,239
Other key management personnel					
S J Woodruff	800,000	-	-	(800,000)	-
D Tomaras	314,285	-	-	(314,285)	-
M. G. Rice	-	100,000	-	-	100,000

Directors	Balance 1 July 2010	Shares acquired	Shares disposed	Other changes	Balance 30 June 2011
S F Tanner	1,072,663	57,337	-	-	1,130,000
M A Simari	950,986	260,572	-	-	1,211,558
M C Newton	145,450	-	-	-	145,450
B A Cheong	2,789,091	-	-	^	2,789,091
T L Blanche	2,421,590	30,532	-	-	2,452,122
Other key management personnel					
S J Woodruff	800,000	-	-	-	800,000
D Tomaras	228,571	85,714	-	-	314,285

NOTE 23 Key Management Personnel Disclosures Continued

(ii) Option holdings

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

Directors	Balance 1 July 2011	Options acquired	Disposed / expired	Options exercised	Balance 30 June 2012
S F Tanner	628,750	-	-	(528,750)	100,000
M A Simari	135,000	-	(35,000)	-	100,000
T L Blanche	2,400,000	-	(2,400,000)	-	-
Other key management personnel					
D P Levin	200,000	-	(200,000)	-	-
C Pearson	100,000	-	(100,000)	-	-
S J Woodruff	900,000	-	(600,000)	(300,000)	-

Directors	Balance 1 July 2010	Options acquired	Options disposed	Options exercised	Balance 30 June 2011
S F Tanner	628,750	-	-	-	628,750
M A Simari	654,419	-	(519,419)	-	135,000
T L Blanche	2,400,000	-	-	-	2,400,000
Other key management personnel					
D P Levin	200,000	-	-	-	200,000
C Pearson		100,000	-	-	100,000
S J Woodruff	900,000	-	-	-	900,000

(c) Other transactions with key management personnel

The Paragon Healthcare business has a lease for the premises located in Norcal Road, Nunawading with Mr Brett Cheong and Mrs Lyn Cheong, Mr Cheong being a director of the Company. The lease runs for 5 years from 1 January 2008 with an option for two further terms each of three years. The rent paid is on commercial terms and the directors consider Mr Cheong's association with the arrangement is on arm's-length terms and conditions. The total rent payable Mr and Mrs Cheong by the Company for the year ended 30 June 2012 was $150,000 (2011: $180,000).

NOTE 24 Earnings per Share

	2012 Cents	2011 Cents
(a) Basic (loss) / Earnings per share (cents per share)	(0.2)	0.3
(b) Diluted (loss) / Earnings per share (cents per share)	(0.2)	0.2
(c) Reconciliation of earnings used in calculating earnings per share		
Profit / (Loss) used in calculating basic earnings per share	(77,484)	851,183
Profit / (Loss) used in calculating diluted earnings per share	(77,484)	851,183
Add Interest savings on convertible notes	-	256,285
	(77,484)	**1,107,468**
	Number	Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	32,291,892	251,251,304
Adjustments for calculation of diluted earnings per share		
Options	1,325,000	163,066,320
Convertible Notes	-	75,000,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**33,616,892**	**489,317,624**

(e) Information concerning the classification of securities

(i) Options

All options on issue are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

NOTE 25 Parent Entity Disclosures

	2012 $	2011 $
(a) Financial Information		
Profit for the year	(899,376)	(874,270)
Total comprehensive income	(899,376)	(864,270)
Current Assets	5,640,236	5,661,807
Total Assets	6,067,294	5,671,651
Current Liabilities	310,789	220,584
Total Liabilities	2,587,381	3,220,584
Shareholders Equity		
Issued capital	12,065,884	10,582,484
Reserves	-	546,885
Retained earnings	(8,585,971)	(8,678,302)
Total Equity	3,479,913	2,451,067

(b) Guarantees

The Company and its controlled entities as listed in note 22 have provided financial guarantees in respect of bank loans of subsidiaries amounting to $2,263,469 (2011 - $3,194,750), secured by registered mortgages over all of the assets of the Company and its subsidiaries.

The parent entity has also given unsecured guarantees in respect of:

(i) finance leases of subsidiaries amounting to $242,169 (2011 - $297,417)

(c) Other Commitments

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

(d) Contingent Liabilities

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

NOTE 26 Business Combination

GM Medical Pty Ltd

On 1st July 2011 the Company acquired all the issued share capital of GM Medical Pty Ltd, a business specialising in the manufacturing and distribution of quality healthcare products for the acute and aged care market throughout Australia and New Zealand. The consideration for the purchase of GM Medical Pty Ltd was comprised of a cash payment to the vendor of $1,822,761 and the issue of 250,000 PGC fully paid ordinary shares at 40 cents each.

Purchase consideration	$
Cash and cash equivalent	1,822,761
Ordinary Shares in Paragon Care (250,000 at $0.40 each)	100,000
Total consideration	**1,922,761**

Fair value and carrying value of net assets acquired	$
Net working capital	233,712
Plant and equipment	115,256
Goodwill on consolidation	1,573,788
Net Assets	1,922,756

Reconciliation to cash flow	$
Total consideration	1,922,761
Equity funding	(100,000)
Net outflow of cash	1,822,761

Impact of acquisition on the results of the Group

Included in the profit for the period is ($161,638) attributable to GM Medical Pty Ltd. Revenue for the period includes $3,561,653 in respect of GM Medical Pty Ltd.

As the acquisition of GM Medical Pty Ltd occurred on 1 July 2011 the revenue and profit of the Group for the year ended 30 June 2012 reflects the full financial year performance of GM Medical Pty Ltd.

NOTE 27 Contingent liabilities

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.
The Group has bank guarantees outstanding totalling $82,000.

NOTE 28 Subsequent Events

No matters or circumstances have arisen since the year ended 30 June 2012 that significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 29 Commitments

Lease Commitments

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

	2012	2011
	$	$
Commitments for minimum lease payments in relation to non-canceeable operating leases are payable as follows:		
Within one year	455,686	326,217
Later than one year but not later than five years	1,071,287	612,853
	1,526,973	**939,070**

Directors' Declaration

For the year ended 30 June 2012

In the directors' opinion:

a) the financial statements and notes set out on pages 15 to 47 are in accordance with the *Corporations Act 2001*, including;

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

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

The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

S F Tanner
Chairman
31 August 2012

Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

PARAGON CARE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Paragon Care Limited, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

RSM Bird Cameron Partners

Independence

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

Opinion

In our opinion:

(a) the financial report of Paragon Care Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Paragon Care Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

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R B MIANO
Partner

31 August 2012
Melbourne, Victoria

Paragon Care Limited (the company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the group in this statement.

A description of the group's main corporate governance practices is set out below. All these practices, unless otherwise stated were in place for the entire year. They comply with the ASX Corporate Governance Principles and Recommendations (including 2010 Amendments).

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

The responsibilities of the board include:

- providing strategic guidance to the group including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
  - organisational performance and the achievement of the group's strategic goals and objectives
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors
- appointment, performance assessment and, if necessary, removal of the managing director
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the group's system for compliance and risk management reporting to shareholders
- ensuring appropriate resources are available to senior management.

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

Principle 2
Structure the board to add value
The company is small and has four directors, two of whom are independent non executive directors (Mr Tanner, the Chairman, and Mr Newton). The two executive directors are the Mr Simari - CEO, and Mr Cheong - Marketing Manager. Details of the members of the board, their experience, qualifications, and term of office are set out in the directors' report under the heading Directors' qualifications, experience, and responsibilities.

The board has taken every care to achieve a well-structured board, which includes both executive and non executive directors with an appropriate range of skills and experience. In recognition of the importance of independent views and the board's role in supervising the activities of management, the Chairman is an independent non- executive director and all directors are required to exercise independent judgement and review and constructively challenge the performance of management. Contrary to the Recommendation 2.1 the company has an equal number of non-executive and executive directors, but at this stage of development it is considered appropriate for an even number of directors to have a hands-on role within the company. The company is relatively small and still in the early stages of refocusing its activities.

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

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

The board undertakes a self assessment of its collective performance, the performance of the Chairman and of its committees. The assessment also considers the adequacy of induction and continuing education and access to information. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. An assessment carried out in accordance with this process was undertaken during May 2012.

Principle 3
Promote ethical and responsible decision making
The board expects all directors, employees and contractors to act with the utmost integrity and objectivity, and in compliance with the letter and the spirit of the law and company policies striving at all times to enhance the reputation and performance of the company, in the following areas;

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

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

The company's securities trading policy in summary, is that the directors and senior officers of the company may conditionally trade in company securities at any time other than when they are in possession of or aware of any information of that may be price sensitive or during a "closed period". A "closed period" is 30 days immediately preceding the preliminary announcement of the company's full year results or preceding the announcement of its half year results or, if shorter, the period between the end of full or half year and the preliminary announcement of the results. The policy also details procedures that need to be followed for executives or directors of the company to trade in the company's securities.

The company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. However given the relatively small size and number of employees of the company the directors do not believe it is currently appropriate to establish formal diversity objectives in relation to gender, age, cultural background and ethnicity, but rather to ensure that the best candidate at the time is appointed to any vacant position.

Principle 4
Safeguard integrity in financial reporting
The company does not have an Audit Committee as the directors consider it more efficient for the full board to consider financial and audit matters of the company. However this position will continue to be reviewed as the size and scope of the company's activities continue to expand and there are not a majority of executive directors on the board. The directors consider the current relatively limited scope of operations and existing control systems provide sufficient safeguard for the integrity of the company's financial reporting.

The company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. RSM Bird Cameron was appointed as the external auditor in November 2009.

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

Principle 5
Make timely and balanced disclosure
The board fully recognises its disclosure obligations under ASX Listing Rule 3.1 and aims to ensure that shareholders are informed of all major developments affecting the company's state of affairs by:

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

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

Principle 6
Respect the rights of shareholders
The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the company's strategy and goals. The shareholders are responsible for voting on the appointment of the directors in accordance with the Constitution of the company. The company does not have a communications policy as suggested by Recommendation 6.1. At the present stage of development of the company the directors consider it inappropriate to have a communications policy when the scope and nature of the company's activities are in transition.

The company has a website to provide shareholders with access to company information and announcements. The website also enables users to provide feedback to the company.

Principle 7
Recognise and Manage Risk
The board monitors the operational and financial performance of the company against forecasts and other key performance measures. The board has established internal controls and reviews areas of operational and financial risks. The company has strategies to mitigate identified risks of the business. The company carries sufficient insurance for the size and nature of its business to protect shareholders' equity. The systems of risk oversight and management and internal control are directly monitored by the board and the company has not established formal policies for the oversight and management of material business risks as required under Recommendation 7.2 nor required management to design and implement the risk management and internal control systems to manage the company's material business risks as required by Recommendation 7.3. Following the acquisitions made during the past financial year, the board will undertake a review of risk management within the company.

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

Principle 8
Remunerate fairly and responsibly

Remuneration committee

The remuneration committee consists of the following directors:
S F Tanner (Chair)
M C Newton

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

The remuneration committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

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

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

On behalf of the Board

S F Tanner
Chairman

Melbourne, Victoria
31 August 2012

Shareholder Information

Shareholder Information

For the year ended 30 June 2012

The shareholders information set out below was applicable as at 23 August 2012.

(A) Distribution of equity securities

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

Number of Units	PGC	Unlisted Options
1-1,000	541	
1,001-5,000	221	
5,001-10,000	85	
10,001-100,000	164	
100,001 and over	55	13
Total Holders	**1,066**	**13**

(B) Equity security holders

Twenty largest quoted equity security holders:

ORDINARY SHARES

Name	Units	% of issued shares
BRETT CHEONG & LYNN CHEONG	2,544,117	7.88
JMT INVESTMENTS PTY LTD	2,460,784	7.62
TLB HEALTHCARE CONSULTING PTY LTD	2,400,000	7.43
MR SHANE FRANCIS TANNER & MRS ANNE MAREE TANNER	1,702,867	5.27
INTERPRAC FINANCIAL PLANNING PTY LTD	1,170,000	3.62
MR KEITH STERRY WOODRUFF	1,050,000	3.25
UNRANDOM PTY LTD	1,048,971	3.25
NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES)	966,560	2.99
NATIONAL NOMINEES LIMITED	797,984	2.47
CHARKAROO PTY LTD	753,093	2.33
MR GREGORY VAWDREY & MRS CHERYL VAWDREY	700,000	2.17
JMT INVESTMENT GROUP VIC PTY LTD	644,117	2.00
NETWEALTH INVESTMENTS LIMITED (SUPER SERVICES)	574,060	1.78
MR MARK SIMARI	389,743	1.21
MR GARRY PETER CROLE	338,804	1.05
MR PAUL CHEONG	326,311	1.01
TEKNOWCARE PTY LTD	314,285	0.97
GEEMEE PTY LTD	309,200	0.96
BRETT ANTHONY CHEONG	289,090	0.90
NEWTON MEADOWS PTY LTD	265,831	0.82
Total Top 20 PGC Shareholders	19,045,817	58.98
Total PGC Shares	**32,291,892**	
Top 20	58.98%	

Unquoted equity securities

	Number on issue	Number of holders
Options expiring 30 May 2013	1,325,000	13

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

Name	Number of options	% of total issued
JMT Investments Pty Ltd	600,000	45.3%

(C) Voting rights

The voting rights attaching to each class of equity securities are set out below:

a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote

b) Options

No voting rights

(D) Substantial holders

Name	Units	% of issued ordinary shares
John Turner Group	3,104,901	9.6
Brett Cheong Group	2,833,207	8.7
Tim Blanche Group	2,496,239	7.7
Shane Tanner Group	1,702,867	5.3
Total Substantial Shareholders	**10,137,214**	**31.3**
Total PGC Shares	**32,291,892**	

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

Brett Cheong Group	
Brett & Lynn Cheong	2,544,117
Brett Cheong	289,090

Tim Blanche Group	
TLB Healthcare Consulting Pty Ltd <Blanche family a/c>	2,400,000
TLB Healthcare Consulting Pty Ltd <Blanche super fund a/c>	96,239

John Turner Group	
JMT Investments Pty Ltd	2,460,784
JMT Investments Pty Ltd atf John Turner Superannuation Fund	644,117

Shane Tanner Group	
Tanner Superannuation Fund	1,702,867

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