vision eye institute
Transforming lives. That's our vision.

Vision Eye Institute Limited

# ANNUAL REPORT 2015

# Chairman's Letter



On behalf of the Board of Directors of Vision Eye Institute Limited (VEI), I am pleased to present our Annual Report for 2015.

Highlights of VEI's results for the year ended 30 June 2015 include:

- EBITDA (before significant items[1]) increased 12% to $27.0 million representing a 24% margin on revenue
- Profit after tax (before significant items[1]) increased 23% to $14.5m
- Bank debt reduced from $38.5 million to $32.0 million
- Fully franked final FY15 dividend of 2.5 cents per ordinary share declared

1) FY15 goodwill write-down $2.5m; FY14 insurance proceeds $1.9m, after tax $1.4m

Our day surgery revenue base continued to grow due to volume growth, particularly in Queensland from visiting surgeons and public health contracts.

Our day surgeries continue to be a key focus. VEI acquired a 65% interest in Vision Centre Day Surgery on the Gold Coast with effect from 1 July 2015. This will assist in replacing our current arrangements on the Gold Coast which will cease on 31 December 2015.

Our new contemporary and purpose built facility Panch Day Surgery Centre, commenced trading in October 2015 and is located in Preston, on the fringe of the northern growth corridor in Melbourne. We continue to explore and assess additional growth opportunities.

As all shareholders have been made aware, the Company received a cash takeover offer of $1.10 (pre-final dividend) from Jangho Group Co., Ltd for all of the shares in VEI. Your directors have unanimously recommended that all shareholders accept this excellent offer, subject to there being no superior proposal.

I am very pleased to announce the appointment of Justin Walter as managing director and CEO. Justin will join us in December 2015 from the Spotless Group where he is currently General Manager, Health and Aged Care Sector. Justin has a strong clinical and public health background and the Board believe he has the background, experience and enthusiasm to make a significant contribution to Vision including overseeing the strengthening of Vision's current operations, and successfully driving Vision's growth, which includes the development of a wider offering in the day surgery market.

I would like to acknowledge Brett Coverdale's contribution to the Group during his time at VEI and wish him well in his future endeavours. Thank you to the management team for their ongoing efforts over the past year which are sincerely appreciated.

I also take this opportunity to extend a thank you to our team of doctors and clinic staff for their continued dedication and commitment over the past year and the high level of care afforded to each and every one of VEI's patients. It is a great team.

On behalf of the Board, I would like to thank you for your support as a shareholder and recommend that in the absence of a higher offer that you accept Jangho offer.

**Shane Tanner**
Chairman
October 2015

# Directors' Report



Your Directors submit their report on the consolidated entity (referred to herein after as the Group) consisting of Vision Eye Institute Limited (the Company or Vision Eye Institute) and the entities it controlled at the end of, or during the year ended 30 June 2015.

## DIRECTORS

The names of the Directors of the Company in office during the year ended 30 June 2015 and until the date of this report are as follows. All Directors, unless otherwise indicated were in office from the beginning of the financial period until the date of this report.

**Mr Shane Tanner** FCPA, ACIS
(Non-Executive Chairman)

Mr Tanner has been Chairman since Vision was formed as a private company in December 2001. Vision was listed on the ASX in December 2004. Mr Tanner has extensive commercial and financial experience in a number of industries including health. Presently he is the Vision Eye Institute Chairman and Chairman of the Nomination & Governance Committee. He also serves on the Audit & Risk Management Committee and the Remuneration Committee. During the past three years he has also served as a Director of the following other listed companies:

- Paragon Care Limited (Appointed December 2005) – Chairman
- Funtastic Limited (Appointed March 2009) – Chairman
- BGD Corporation Limited (Appointed November 2014) – Chairman
- IPB Petroleum Limited (Appointed October 2010, Resigned May 2014)

**Mr Iain Kirkwood** MA(Hons)(Oxon), FCPA, MAICD
(Non-Executive Director)

Mr Kirkwood joined the board in November 2004, immediately prior to Vision joining the ASX. He brings extensive financial experience gained from a range of healthcare businesses during his career. He is presently Chairman of the Audit & Risk Management Committee and serves on the Remuneration Committee and Nomination & Governance Committee. During the past three years he has also served as a Director of the following other listed companies:

- Avexa Limited (Appointed August 2010) – Chairman
- Bluechiip Limited (Appointed November 2007) – Chairman
- MHM Metals Limited (Resigned March 2015)
- Medical Developments International Limited (Resigned February 2013)

**Ms Zita Peach** BSC, FAMI, GAICD
(Non-Executive Director)

Ms Peach joined the board in October 2011. Ms Peach has had a long career in the healthcare industry having held a number of key management, business development, strategic planning and marketing roles. She was previously the Managing Director of Fresenius Kabi Australia and New Zealand and Executive Vice President, South Asia Pacific, Fresenius Kabi. Prior to that, she was Vice-President/Director, Business Development at CSL Limited. Ms Peach was a former director of not-for-profit organisation, BioMelbourne Network. She is presently Chairman of the Remuneration Committee and serves on the Audit & Risk Management Committee and Nomination & Governance Committee. During the past three years she has also served as a Director of the following other listed companies:

- Starpharma Holdings Limited (Appointed October 2011)

**Mr Garry Sladden** BBus, CPA, FINSA
(Non-Executive Director)

Mr Sladden joined the board in July 2015. He is an experienced business and strategic adviser who has a diversified business background in the areas of healthcare, private equity, business operations, real estate, banking and finance and equity raising, having held the position of General Manager Operations at Consolidated Press Holdings for six years. Mr Sladden is Non-Executive Chairman of the following ASX listed companies:

- Folkestone Limited (Appointed March 2011) – Chairman
- Clarius Group Limited (Appointed September 2013) – Chairman

**Dr Michael Lawless** MBBS, FRANZCO, FRACS, GAICD (Medical Director)

Dr Lawless joined the board in November 2006. He is an experienced ophthalmologist and administrator having performed in excess of 30,000 LASIK, lens replacement and corneal transplant operations.

Dr Lawless is a Clinical Associate Professor to the Sydney Medical School (University of Sydney), a Fellow of the Royal Australian and New Zealand College of Ophthalmologists, a Fellow of the Royal Australian College of Surgeons and a graduate of the Australian Institute of Company Directors. He served as Chairman of the Department of Ophthalmology at Royal North Shore Hospital in Sydney from 2000 to 2006, and from 2004-06 was head of ophthalmology for the Northern Sydney Area Health Service. He is past president of the International Society of Refractive Surgery and in 2012 received the Senior Achievement Award from the American Academy of Ophthalmology for services to ophthalmic education.

**Dr Joseph Reich** MBBS, DO (Melbourne), FRACS, FRANZCO, MAICD (Executive Director)

Dr Reich joined the board in February 2010. He is a specialist cataract and refractive surgeon and a founding partner of the Camberwell Eye Clinic. He is a former Head of Clinic and Chairman of the Senior Medical Staff at the Royal Victorian Eye and Ear Hospital.

Dr Reich has held the posts of Chairman of the Qualification and Education Committee (Victoria) and Federal Councillor for the Royal Australian and New Zealand College of Ophthalmologists. His teaching experience includes the Undergraduate Lectures in Ophthalmology at the Royal Victorian Eye and Ear Hospital (Melbourne), lecturer at the Lincoln Institute School of Orthoptics and editorial board member for the American Academy of Ophthalmology textbook on Lens and Cataract. He is in active practice and lectures in his areas of specialty both in Australia and overseas.

Dr Reich is also currently the Regional Director in Victoria.

**Dr Tim Roberts** MBBS (NSW), MMed (Syd), FRANZCO, FRACS, GAICD (Medical Director)

Dr Roberts joined the board in October 2014. Dr Roberts is a consultant ophthalmic surgeon at the Royal North Shore Hospital and clinical senior lecturer in ophthalmology at the University of Sydney. He is a leader in the emerging field of laser cataract surgery and has clinical and research interests in glaucoma, intraocular lens technology and medical ethics and education.

Dr Roberts sits on several industry and professional advisory boards and is a graduate of the Australian Institute of Company Directors. He has held positions as Chairman of the RANZCO NSW Qualification and Education Committee, member of the Federal QEC (Qualification Education Committee), College Board of Examiners and NSW State Branch Committee.

Dr Roberts is currently the Medical Director as well as Regional Director in NSW.

**Dr Chris Rogers** MBBS (NSW), FRANZCO, FRACS (Resigned 21 November 2014)

**Dr Michael Wooldridge** BSC, MBBS, MBA, LLD (Resigned 30 January 2015)

**Mr Brett Coverdale** BBus, CA (Resigned 13 May 2015)

## Directors' interests in the shares of the Company

As at the date of this report, the interests of the Directors in the shares of the Company were:

| Director | No. of Ordinary Shares |
|---|---:|
| Mr Shane Tanner | 150,000 |
| Mr Iain Kirkwood | 36,310 |
| Ms Zita Peach | 16,666 |
| Mr Garry Sladden | – |
| Dr Tim Roberts | 837,176 |
| Dr Michael Lawless | 2,139,704 |
| Dr Joseph Reich | 2,738,301 |

## COMPANY SECRETARIES

**Ms Anne McGrath** BCom, CA

Ms McGrath was appointed Company Secretary on 31 August 2012. She is a Chartered Accountant and has previously held senior finance roles with Mayne Pharma Limited, Mayne Group Limited and Pacific Dunlop Limited.

**Ms Karen Lopreiato** BCom, FCIS, DipAppCorpGov

Ms Lopreiato was appointed Company Secretary in November 2011. She has many years of company secretarial experience with listed companies including Symbion Health Limited, Mayne Pharma Limited, Mayne Group Limited and Colonial Limited.

## NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

During the financial period the Company was the ultimate holding company for a number of subsidiaries. The Group provides private ophthalmic services. There were no significant changes in the nature of these activities during the year.

## GROUP OVERVIEW

During the year ended 30 June 2015, Vision Eye Institute provided ophthalmic services through the ownership and management of eighteen consulting clinics, eight day surgeries, and seven refractive surgery facilities in Victoria, New South Wales and Queensland.

The Group derives its revenue from:

- Consultation fees for patient examinations, investigative and diagnostic tests
- Surgical fees for ophthalmic procedures
- Day surgery theatre fees
- Refractive surgery fees

This revenue is sourced from a combination of Medicare rebates, Department of Veterans Affairs contributions, private health insurer contributions and from patients directly.

The following table outlines the Group's operations for the year ending 30 June 2015 by location:

| Location | Consulting | Day Surgery | Laser Refractive |
|---|---|---|---|
| **Victoria** | | | |
| Camberwell | ✓ | ✓ | |
| Blackburn South | ✓ | | |
| Coburg | ✓ | | |
| Footscray | ✓ | ✓ | |
| St Kilda Road | ✓ | | ✓ |
| Box Hill | ✓ | ✓ | |
| Preston (under construction) | | ✓ | |
| **New South Wales** | | | |
| Bondi Junction | ✓ | | ✓ |
| Chatswood | ✓ | ✓ | ✓ |
| Mosman | ✓ | | |
| Drummoyne | ✓ | | |
| Hurstville | ✓ | ✓ | ✓ |
| **Queensland** | | | |
| Southport* | ✓ | ✓ | ✓ |
| Varsity Lakes* | ✓ | | |
| Coolangatta* | ✓ | | |
| Upper Mt Gravatt** | ✓ | | |
| Brisbane | ✓ | ✓ | ✓ |
| Townsville | ✓ | ✓ | ✓ |
| Mackay | ✓ | | |

*Sold 1 July 2015 **Sold 30 September 2014

**OPERATING RESULTS FOR THE YEAR ENDED 30 JUNE 2015**

The Group generated revenues of $112.9 million, an increase of $2.3 million (2.1%) on FY14, highlighted by a significant increase in theatre revenue:

| Revenue ($ million) | FY15 | FY14 | Variance | % |
|---|---|---|---|---|
| Theatre | 41.3 | 37.6 | 3.7 | 9.8% |
| Surgical & Consulting | 62.6 | 63.2 | (0.6) | (1.0%) |
| Refractive | 9.0 | 9.8 | (0.8) | (8.2%) |
| | **112.9** | **110.6** | **2.3** | **2.1%** |

- The increase in Theatre revenue was driven by higher volumes, in particular at Rivercity Day Surgery due to additional Visiting Medical Officers and a public health contract during the period;
- Growth of cataract and IVI procedures in day surgeries continued to exceed Medicare growth rates (for privately billed items not performed in public hospitals) with average growth in cataract volumes of 8.6% (Medicare 3.5%) and IVI volumes of 12.4% (Medicare 11.6%);
- Surgical and Consulting revenue was slightly lower than FY14 with a reduction in revenue at Rivercity, Townsville (3 less partner doctors) and Gold Coast, offset by additional revenues across Victorian clinics from the full year impact of new doctors. Pressure on fees remains with the continued Medicare freeze;
- Refractive revenue was $0.8 million below FY14, the lower volumes experienced at Chatswood (in particular the first quarter of FY15), Rivercity and Townsville.

Gross profit was $48.4 million (43% margin), an increase of $0.8 million on FY14, with an increase in Medical Supplies consistent with higher day surgery volumes.

EBITDA excluding goodwill write down was $27.0 million, a $3.0 million increase on FY14, due to the gross margin increase $0.8 million and a $2.1 million reduction in indirect costs. Legal expenses were $1.4 million less than FY14 and indirect labour costs were net $0.8 million less than FY14 after reversal of a payroll tax provision offset by CEO termination costs.

The goodwill write-down was triggered by an allocation of goodwill to the Gold Coast clinics which have been sold effective 1 July 2015. Goodwill allocated to Gold Coast clinics was $3.5 million and the goodwill component of the Gold Coast sale proceeds was $1 million. Accordingly $2.5 million was written-down. Otherwise there has been no impairment of goodwill during FY15.

Net finance costs for the year decreased $0.8 million (39%) to $1.2 million (FY14: $2.0 million) with the decrease due to the reduction of bank debt and the benefit of lower interest rates and margins.

The capital raising in October 2014 generated $9.7 million (net of costs) and bank debt was further reduced by $6.5 million to $32 million at 30 June 2015.

## REVIEW OF FINANCIAL CONDITIONS

Cash generated from operations was $20.6 million. There was an increase in cash and cash equivalents in the year ended 30 June 2015 of $14.9 million (2014: $3.7 million) after debt repayment of $6.5 million and the capital raising of $9.7 million (net of costs). The Company paid a dividend of $2.1 million.

The Group had the following funding facilities available at 30 June 2015:

| NAB | Facility | Available |
|---|---|---|
| Guarantee facility | $1.2 million | $0.6 million |
| Amortising loan facility | $16.0 million | $nil |
| **ANZ** | | |
| Guarantee facility | $0.6 million | $nil |
| Amortising loan facility | $16.0 million | $nil |
| **Total** | $33.8 million | $0.6 million |

At 30 June 2015 the facility limit was $32.0 million. The Company is required to repay $2.5 million during the year ending 30 June 2016 and the facility will expire on 31 July 2016.

The Guarantee facility exists to provide guarantees over leased premises.

The Group has sufficient funds to finance its operations to service the facilities set out above.

### Performance indicators

Management and the Board monitor the Group's overall performance, from its implementation of the strategic plan through to the performance of the Company against operating plans and financial budgets.

The Board, together with management, has identified key performance indicators (KPI's) that are used to monitor performance. Management monitor KPI's on a timely basis. Directors receive various financial KPI's for review prior to each monthly Board meeting allowing all Directors to actively monitor the Group's performance.

### Risk management

The Board is actively involved in the risk management process and has delegated responsibility for the development and maintenance of a framework of risk identification, management and control to the Audit and Risk Management Committee. The Group has developed a risk management policy for all of its facilities outlining the organisation's commitment to risk management. Risk management software has been implemented throughout the Group to register all risk management activities. This information is collated for analysis at the relevant committee meetings to ensure management strategies are developed and implemented, and data is reviewed to identify trends and areas of risk.

The Board has a number of quality management mechanisms in place to ensure that management's objectives and activities are aligned with potential business risks and opportunities. These include the following:

- Implementation of Board approved operating plans and monitoring of progress against these budgets, including financial and non-financial key performance indicators;
- The ongoing monitoring by the Audit & Risk Management Committee;
- Implementation of risk management software to provide mechanisms for reporting and managing risks, incidents, feedback and quality activities;
- The establishment of committees at group, local clinic and day surgery levels where risk management activities are reviewed as standard agenda items. These committees include: Clinical Care Committee, National Infection Control Committee, Quality Committee, Medical Advisory Committees and Staff/Management Review Committees.

All clinics and day surgeries meet current legislative requirements. Day surgeries and laser clinics are certified to ISO 9001:2008 and accredited to the National Safety and Quality Health Services Standards.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2015 financial year in addition to a capital raising of $9.7 million (net of costs), bank debt was reduced by $6.5 million.

Other than the above, there were no other changes in the significant state of affairs of the Group that occurred during the financial year.

## DIVIDENDS

On 30 September 2014 the Company paid a fully franked dividend of 1.25 cents per ordinary share totalling $2.1 million. On 25 August 2015, the Company declared a fully franked final dividend of 2.5 cents per ordinary share for the year ended 30 June 2015 of $4.6 million (2014: $2.1 million) as follows:

| Declared after end of year | 2015 Final |
|---|---|
| Per ordinary share | 2.50 cents |
| Total amount | $4.6 million |
| Franking | 30% |
| Payment date | 30 September 2015 |

The record date for the dividend is 1 September 2015.

## EVENTS AFTER BALANCE DATE

On 6 July 2015 Pulse Health Limited lodged a takeover offer for the whole of the Company which the directors formally rejected as inadequate in the Target Statement lodged on 4 August 2015.

On 16 July 2015 the Company announced that it had purchased a 65% controlling interest in Vision Centre Day Surgery for approximately $4 million with effect from 1 July 2015. Vision Centre Day Surgery is located on the Gold Coast and has been established for over 15 years. The initial accounting for the acquisition of Vision Centre Day Surgery has not yet been finalised and the disclosures relating to this acquisition will be included in the half-year-reporting at 31 December 2015.

On 31 July 2015 Primary Healthcare Limited advised the Company they had sold a 19.99% interest in the Company to Jangho Group Co., Ltd (Jangho) a public company listed on the Main Board of Shanghai Stock Exchange.

On 13 August 2015 Jangho made an all cash off-market takeover offer for the Company of $1.10 cash per ordinary share. Later that same day the directors recommended that shareholders accept the Jangho offer, subject to there being no further superior alternative proposal.

On 14 August Pulse Health Limited issued a notice of defeating conditions for the Company in respect of their off-market takeover bid.

On 25 August 2015 the Company declared a fully franked final dividend of 2.5 cents per ordinary share, which is payable on 30 September 2015 (refer Note 11).

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

On 4 August 2015 the Company announced that it has been in discussion regarding a major acquisition. A terms sheet was signed on 14 June 2015, before the offer from Pulse Health Limited was announced, allowing due diligence to commence. At this time due diligence has not been completed and the negotiations over final acquisition terms are on-going.

The Company also communicated to the market its earnings guidance for the year ending 30 June 2016 of EBITDA $26 million (excluding any transaction costs associated with takeover offers or acquisitions).

Except as disclosed above, there are no other likely developments that would impact the expected results.

## UNISSUED SHARES AND INTEREST IN OPTIONS

There were no unissued shares or options issued during or since the end of the financial year and there were no options outstanding at the end of the financial year.

The Company has a Practice Enhancement Fund (PEF) which is a pool of notional (un-issued) shares (refer note 24 for further details).

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Company continued to insure the directors, secretaries and senior executive officers of the Group. The liabilities insured are losses that may be incurred as the result of civil or criminal proceedings that may be brought against the officers in their capacity as an officer of the Company.

Under the terms of the insurance contracts the premium paid for these policies cannot be disclosed.

## NEW CEO AND INTERIM ARRANGEMENTS

The Board advises that the recruitment of a new CEO is well advanced. Pending the appointment of a new CEO, the non-executive directors are performing the executive management responsibilities (of the CEO) under consultancy arrangements approved by the other directors independent to the arrangement.

## DIRECTORS' MEETINGS

The number of meetings of the Board of Directors and of each Board Committee held during the year and each Director's attendance at those meetings are set out in the table below.

| | Meetings of the Board & Committees | | | |
|---|---|---|---|---|
| | Directors Meetings | Nomination & Governance | Audit & Risk Management | Remuneration |
| **Number of meetings held** | **15** | **4** | **5** | **3** |
| **Number of meetings attended** | | | | |
| **Mr S Tanner (1)** | 13 | 4 | 5 | 2 |
| **Mr B Coverdale (2)** | 11 | – | – | – |
| **Mr I Kirkwood (3)** | 15 | 2 | 5 | 2 |
| **Dr M Lawless** | 14 | – | – | – |
| **Dr J Reich** | 14 | – | – | – |
| **Dr C Rogers (4)** | 6 | 2 | – | – |
| **Ms Z Peach (5)** | 14 | 2 | 4 | 3 |
| **Dr M Wooldridge (6)** | 8 | 2 | – | 1 |
| **Dr T Roberts (7)** | 12 | – | – | – |

(1) Mr Tanner was appointed to the Remuneration Committee on 23 February 2015 and there were 2 meetings held while he was a member of that Committee. (2) Mr Coverdale resigned as managing director on 13 May 2015 and there were 12 Board meetings held while he was a director. (3) Mr Kirkwood was appointed to the Nomination & Governance Committee on 23 February 2015 and there were 2 meetings held while he was a member of that Committee. (4) Dr Rogers resigned as a director on 21 November 2014 and there were 7 Board meetings held while he was a director and 2 Nomination & Governance Committee meetings held while Dr Rogers was a member of that Committee. (5) Ms Peach was appointed to the Nomination & Governance Committee on 23 February 2015 and there were 2 meetings held while she was a member of that Committee. (6) Dr Wooldridge resigned as a director on 30 January 2015 and there were 9 Board meetings held while he was a director, 2 Nomination & Governance Committee meetings held while he was a member of that Committee and 1 Remuneration Committee meeting held while he was a member of that Committee. (7) Dr Roberts was appointed a director on 1 October 2014 and there were 12 Board meetings held while he was a director.

## COMMITTEE MEMBERSHIPS

The Company has a Nomination and Governance Committee, an Audit and Risk Management Committee and a Remuneration Committee of the Board of Directors. At the date of this report, the members of these committees are:

| Nomination & Governance | Audit & Risk Management | Remuneration |
|---|---|---|
| Mr S Tanner (Chairman) | Mr I Kirkwood (Chairman) | Ms Z Peach (Chairman) |
| Mr I Kirkwood | Mr S Tanner | Mr I Kirkwood |
| Ms Z Peach | Ms Z Peach | Mr S Tanner |

## ROUNDING

The amounts contained in this report and in the financial report have, unless otherwise stated, been rounded to the nearest $1,000 under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

During the financial year no non-audit services were provided by Deloitte Touche Tohmatsu, the auditor of the Company.

The Directors have received the Declaration of Independence from the auditor of the Company (refer page 17).

## REMUNERATION REPORT

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of the Company and the Group's Key Management Personnel (KMP) for the financial year ended 30 June 2015 in accordance with the requirements of the Corporations Act 2001 and its Regulations. The Remuneration Report has been audited as required by Section 308 (3c) of the Act.

For the purposes of this report, KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company and the Group.

For the purposes of this report, the term 'executive' includes the chief executive officer and senior executives of the Company and the Group.

### Details of KMP

| | |
|---|---|
| Mr S Tanner | Non-Executive Director (Chairman) |
| Mr B Coverdale | Managing Director (resigned 13 May 2015) and Chief Executive Officer (CEO) (resigned 30 June 2015) |
| Mr I Kirkwood | Non-Executive Director |
| Ms Z Peach | Non-Executive Director |
| Dr M Lawless | Executive Director |
| Dr J Reich | Executive Director |
| Dr T Roberts | Executive Director (appointed 1 October 2014) |
| Mr G Sladden | Non-Executive Director (appointed 1 July 2015) |
| Dr C Rogers | Executive Director (resigned 21 November 2014) |
| Dr M Wooldridge | Non-Executive Director (resigned 30 January 2015) |
| Ms A McGrath | Chief Financial Officer (CFO) & Company Secretary |

The named persons held their current position for the whole of the financial year unless otherwise noted above. Other than the appointment of Mr Sladden as a non-executive director there were no changes to KMP after reporting date and before the date the financial report was authorised for issue.

### Remuneration Philosophy

The ultimate performance of the Group relies on the quality of its Directors and executives to deliver the Group's operational and financial plan. To prosper the Group must attract, motivate and retain appropriately skilled Directors and executives.

The Group incorporates the following principles in its remuneration framework:

- Provision of competitive remuneration and rewards to attract and retain experienced and highly skilled executives
- Linking of executive rewards to shareholders' returns
- Components of executive remuneration are at risk and dependent upon meeting pre-determined performance, short and long term targets to drive growth
- Inclusion of appropriate challenging performance hurdles in relation to variable executive remuneration
- Provision of a Non-Executive Director share ownership scheme providing the ability for Non-Executive Directors to sacrifice a percentage of their annual directors' fees to acquire shares.



The Remuneration Committee is in the process of moving towards increasing the at risk components of the remuneration package (both short and long term incentives) for the CEO and senior executives to reward delivering shareholder value. A new Performance Rights plan was approved by shareholders at the 2014 AGM as part of the shift towards longer term at risk performance incentives

### Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for considering and making recommendations to the Board on remuneration for the Chairman, Managing Director and any other Executive Directors (including base pay, incentive payments, equity awards and service contracts) and reviewing and making recommendations to the Board regarding the proposed remuneration (including incentive awards, equity awards and service contracts) for senior management of the Group taking into account the CEO's recommendation. It is also responsible for reviewing and establishing the level of remuneration, including superannuation and retirement schemes, for Non-Executive Directors. The level of Director remuneration is set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of senior executives on an annual basis by reference to relevant employment market conditions and benchmarking of positions of comparable speciality and responsibility with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team.

### Nomination and Governance Committee

The Nomination and Governance Committee is responsible for recommending the appointment and reviewing the performance of Directors and the CEO. The Committee also makes recommendations to the Board in respect of conditions of service for Directors and senior executives.

## Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and executive remuneration is separate and distinct.

## Non-Executive Director Remuneration

### Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost that is appropriate for the Company's current size and is acceptable to shareholders.

### Structure

The Company's constitution provides that the Non-Executive Directors are entitled to be paid directors' fees in aggregate up to a maximum of $500,000 (2014: $500,000) per annum or such other amount determined from time to time at a general meeting.

The aggregate fee pool and remuneration is reviewed annually and benchmarked with other comparable companies. The amount of aggregate remuneration sought is to be approved by shareholders.

The Non-Executive Director share ownership scheme provides the ability for Non-Executive Directors to sacrifice a percentage of their annual directors' fees to acquire shares. No shares have been acquired under this scheme during the year (2014: nil). The Non-Executive Directors do not receive retirement benefits nor do they participate in any incentive programs.

The remuneration of Non-Executive Directors for the years ended 30 June 2015 and 30 June 2014 is detailed in Tables 1 and 2 respectively on pages 13 and 14.

## Executive Remuneration

### Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for Group and individual performance against targets set by reference to appropriate internal targets;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

### Structure

In determining the level and make-up of senior executive remuneration, the Remuneration Committee has taken into account market levels of remuneration for comparable executive roles.

Remuneration may consist of the following elements:

- Fixed remuneration (Base salary, superannuation)
- Variable remuneration
  - Short term incentives (STI)
  - Long term incentives (LTI)

The proportion of fixed remuneration and variable remuneration established for each executive by the Remuneration Committee for the years ended 30 June 2015 and 30 June 2014 is set out below in Tables 1 and 2 respectively on pages 13 and 14.

## Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Executives receive their fixed remuneration in cash.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of Group and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

## Variable Remuneration

The objective of the variable remuneration plan is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. Variable remuneration grants are made to senior executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against relevant performance hurdles, and in the case of other personnel, for their contribution to the achievement of performance targets.

**Short-Term Incentive (STI)**
The STI component of the variable remuneration for the former CEO was approximately 21% of the total variable remuneration payable in any one year and payable in cash, but only upon achievement of a mix of financial and non-financial targets set by the Remuneration Committee at the commencement of each financial year.

The STI is:

(a) Equal to an agreed percentage of the annual fixed remuneration;

(b) Payable when the audited Group EBIT (adjusted for impairment) meets or exceeds the agreed EBIT set by the Board and certain other performance criteria set by the Remuneration Committee at or around the start of the financial year; and

(c) Payable following the release of the Group's audited final result as a cash bonus subject to the executive being an employee of the Group at the time payments are due.

The maximum potential STI bonus for the 2015 financial year was $155,000 (2014: $155,000). Of this amount $155,000 (100%) was accrued based on an assessment of the CEO's performance against performance criteria for the year. With respect to the CEO's STI's approximately 30% is based on financial targets and 70% on completion of key strategic projects and growth initiatives.

There have been no alterations to the STI bonus plans since their grant date.

For the 2014 financial year, 100% of the STI bonus as previously accrued in that period vested to executives and has been subsequently paid in full.

**Long-Term Incentive (LTI)**
At the Company's 2014 Annual General Meeting (AGM) held on 21 November 2014, the shareholders approved the Vision Eye Institute Limited Performance Rights Plan (Performance Rights Plan), which was established for the purposes of rewarding and incentivising senior executives. Under the Performance Rights Plan, participants may be granted performance rights which entitle the participant, upon meeting certain performance targets, to be issued shares in the Company.

At the AGM, the shareholders approved the grant of 78,889 Performance Rights to the CEO, which were to vest over three years as a LTI arrangement, at a fair value of 63.38 cents per share. As a result of the CEO resignation prior to the escrow period being met these shares were cancelled and an amount of $50,000 was paid. There were no other LTI's in place during the year ended 30 June 2015.

**Executive Share Purchase Plan**
In 2008 the Company introduced an Executive Share Purchase Plan (ESP) for senior executives. The Company offered eligible senior executives an unsecured full recourse loan facility to acquire Vision Eye Institute Limited ordinary shares on-market during a permitted trading window in the Company's shares.

As of 30 June 2015, all loans were settled with the exception of one which is the subject of a confidential settlement arrangement following litigation by the Company.

**Hedging of Equity Awards**
Employees may not enter into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of shares in the Company which are subject to a restriction on disposal under an employee share or incentive plan; or options or performance rights (or shares in the Company underlying them) granted under an employee share or incentive plan. All employees who are the recipients of equity awards have confirmed that no such transactions have been entered into.

## Group Performance

The table below sets out the Group's profitability (Revenue, Results from operating activities (EBIT) and EBIT adjusted for goodwill impairment) for the past five financial years.

| $'000 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Revenue | 112,860 | 110,587 | 107,056 | 111,220 | 107,277 |
| EBIT (Reported) | 19,607 | 20,917 | (6,607) | 21,785 | (10,189) |
| Goodwill impairment | – | – | (26,300) | – | (27,681) |
| Goodwill write-down on sale of business | (2,500) | – | – | – | – |
| EBIT (adjusted for goodwill write-down/impairment) | 22,107 | 20,917 | 19,693 | 21,785 | 17,492 |

The Group performance is also reflected in the movement of the Group's earnings per share (EPS) over time. The table below sets out the Group's EPS history for the past five years (including the current year).

| Cents per share | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| EPS – basic and diluted | 6.7 | 7.9 | (11.4) | 10.2 | (28.1) |

The Group used EBIT and other non-financial and operational measures to drive STI payments for the CEO for the year ended 30 June 2015. The EBIT (adjusted for goodwill impairment) over the 5 year period from 1 July 2010 to 30 June 2015 is set out in the table above.

In September 2014 the Company paid a Final 2014 fully franked dividend of 1.25 cents per ordinary share.

## Employment contracts

### Chief Executive Officer and Managing Director (CEO)

Mr Coverdale was employed as CEO under a rolling employment contract from 31 August 2012 to 30 June 2015. Mr Coverdale resigned as Managing Director on 13 May 2015 and continued as CEO until 30 June 2015. The Company has paid out $560,000 in lieu of his contract notice period and $155,000 for the STI and $50,000 for LTI components of his remuneration arrangements.

### Doctor Directors

Doctor Directors are engaged by the Group under contractor arrangements. Refer note 27 for details of related party payments made to certain doctor directors in respect of their share of ophthalmic clinic profitability.

### Other Executives (standard contracts)

All executives and KMP have rolling contracts. The Group may terminate an executive's employment by providing written notice for periods between 1 and 3 months or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed and only up to the date of termination.

# Directors' Report

## REMUNERATION REPORT (AUDITED) *continued*

**Table 1: Remuneration for the year ended 30 June 2015**

| | Short term | Short term | Short term | Long term | Post employment | Long term | Termination | Share based payments | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary, contractor payments & fees | Bonus granted (payable in cash) | Monetary | Monetary | Superannuation | Long service leave (accrued) | | Options/ Tenure Rights | Total | Performance related |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | % |
| **Non-Executive Directors** | | | | | | | | | | |
| Mr S Tanner – Chairman | 135,160 | – | – | – | 12,840 | – | – | – | 148,000 | – |
| Mr I Kirkwood | 67,580 | – | – | – | 6,420 | – | – | – | 74,000 | – |
| Ms Z Peach | 67,580 | – | – | – | 6,420 | – | – | – | 74,000 | – |
| Dr M Wooldridge (1) | 39,422 | – | – | – | 3,745 | – | – | – | 43,167 | – |
| **Sub-total Non-Executive directors** | **309,742** | – | – | – | **29,425** | – | – | – | **339,167** | – |
| **Executive Directors** | | | | | | | | | | |
| Dr M Lawless – Medical Director (2) | 19,159 | – | – | – | 1,817 | – | – | – | 20,976 | – |
| Dr J Reich (3) | – | – | – | – | – | – | – | – | – | – |
| Dr C Rogers (4) | 70,500 | – | – | – | – | – | – | – | 70,500 | – |
| Dr T Roberts – Medical Director (5) | 58,878 | – | – | – | 5,593 | – | – | – | 64,471 | – |
| Mr B Coverdale CEO & Managing Director (6) | 540,000 | 155,000 | – | 50,000 | 30,000 | (1,556) | 560,000 | – | 1,333,444 | 15.4% |
| **Other key management personnel** | | | | | | | | | | |
| Ms A McGrath – CFO (7) | 232,500 | 25,000 | – | – | 30,000 | 3,505 | – | – | 291,005 | 8.6% |
| **Sub-total executives and other KMP** | **921,037** | **180,000** | – | **50,000** | **67,410** | **1,949** | **560,000** | – | **1,780,396** | |
| **Total** | **1,230,779** | **180,000** | – | **50,000** | **96,835** | **1,949** | **560,000** | – | **2,119,563** | |

(1) Dr Wooldridge resigned as a non-executive director 30 January 2015. (2) Dr Lawless resigned as Medical Director 21 November 2014. A Medical Director fee of $20,976 inclusive of superannuation was paid to 21 November 2014. Refer note 27 to fees related to Ophthalmic Services provided under contract. (3) Nil director fees were received. Refer note 27 to fees related to Ophthalmic Services provided under contract. (4) Fee received for Executive services provided under contract. Nil director fees were received. Refer note 27 to fees related to Ophthalmic Services provided under contract. Resigned as a director 21 November 2014. (5) Dr Roberts was appointed director 21 November 2014. From this date he received payments as Medical Director (Group) $32,236 inclusive of superannuation and $32,236 for the same period as Regional Medical Director (NSW). Refer note 27 to fees related to Ophthalmic Services provided under contract. (6) Mr Coverdale resigned as Managing Director on 13 May 2015 and as CEO on 30 June 2015. (7) Bonus related to FY15 and based on achievement of non-financial measures as agreed by the Remuneration Committee.

# Directors' Report

## REMUNERATION REPORT (AUDITED) *continued*

**Table 2: Remuneration for the year ended 30 June 2014**

| | Short term | Short term | Short term | Long term | Post employ-ment | Long term | Term-ination | Share based payments | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary, contractor payments & fees | Bonus granted (payable in cash) | Mone-tary | Mone-tary | Super-annua-tion | Long service leave (accrued) | | Options/ Tenure Rights | Total | Perfor-mance related |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | % |
| **Non-Executive Directors** | | | | | | | | | | |
| S Tanner – Chairman | 131,808 | – | – | – | 12,192 | – | – | – | 144,000 | – |
| I Kirkwood | 65,904 | – | – | – | 6,096 | – | – | – | 72,000 | – |
| Z Peach | 65,904 | – | – | – | 6,096 | – | – | – | 72,000 | – |
| M Wooldridge | 65,904 | – | – | – | 6,096 | – | – | – | 72,000 | – |
| **Sub-total Non-Executive directors** | **329,520** | **–** | **–** | **–** | **30,480** | **–** | **–** | **–** | **360,000** | |
| **Executive Directors** | | | | | | | | | | |
| Dr M Lawless – Medical Director (1) | 47,140 | – | – | – | 4,360 | – | – | – | 51,500 | – |
| Dr J Reich (2) | – | – | – | – | – | – | – | – | – | – |
| Dr C Rogers (3) | 176,667 | – | – | – | – | – | – | – | 176,667 | – |
| Mr B Coverdale CEO & Managing Director | 545,000 | 126,335 | – | – | 25,000 | 1,502 | – | – | 697,837 | 18.1% |
| **Other key management personnel** | | | | | | | | | | |
| Ms A McGrath – CFO (4) | 225,000 | 20,000 | – | – | 25,000 | 726 | – | – | 270,726 | 7.4% |
| **Sub-total executives and other KMP** | **993,807** | **146,335** | **–** | **–** | **54,360** | **2,228** | **–** | **–** | **1,196,730** | |
| **Total** | **1,323,327** | **146,335** | **–** | **–** | **84,840** | **2,228** | **–** | **–** | **1,556,730** | |

(1) A Medical Director fee of $51,500 inclusive of superannuation was paid. Refer note 27 to fees related to Ophthalmic Services provided under contract. (2) Nil director fees were received. Refer note 27 to fees related to Ophthalmic Services provided under contract. (3) Fee received for Executive services provided under contract. Nil director fees were received. Refer note 27 to fees related to Ophthalmic Services provided under contract. (4) Bonus payment related to FY13 based on achievement of non-financial measures as agreed by the Remuneration Committee.

### Options and rights over equity instruments granted as compensation

No performance options or tenure rights were granted as compensation during the reporting period. There were nil options and tenure rights outstanding at 30 June 2015 (2014: nil).

There were no alterations to the terms and conditions of equity instruments awarded as remuneration since their award date.

# Directors' Report

## REMUNERATION REPORT (AUDITED) *continued*

**Exercise of equity instruments granted as compensation**

No shares were issued on the exercise of performance options and vesting of tenure rights during the reporting period.

No performance options were exercised during the period (2014: nil). There were no amounts unpaid on the shares issued as a result of the exercise and issue of the performance options and tenure rights.

**Shares held by KMP in Vision Eye Institute Limited**

The number of fully paid ordinary shares held by KMP in the Company are set out below:

| Year ended 30 June 2015 | Opening Balance 30 June 2014 | On exercise of options/tenure rights | Net change other | Closing Balance 30 June 2015 |
|---|---|---|---|---|
| Mr S Tanner | 150,000 | – | – | 150,000 |
| Mr I Kirkwood | 36,310 | – | – | 36,310 |
| Ms Z Peach | 16,666 | – | – | 16,666 |
| Dr M Lawless | 2,139,704 | – | – | 2,139,704 |
| Dr J Reich | 2,738,301 | – | – | 2,738,301 |
| Dr T Roberts (1) | – | – | 837,176 | 837,176 |
| Dr C Rogers (2) | 996,704 | – | (996,704) | – |
| Mr B Coverdale (2) | 328,256 | – | (328,256) | – |
| Dr M Wooldridge (2) | 25,000 | – | (25,000) | – |
| **Total** | **6,430,941** | – | **(512,784)** | **5,918,157** |

(1) Shares held by Dr Roberts at date of appointment on 1 October 2014 as Director shown in 'Net change other' column.

(2) Resigned during the year ended 30 June 2015. Shares held at date of resignation shown in 'Net change other' column.

| Year ended 30 June 2014 | Opening Balance 30 June 2013 | On exercise of options/tenure rights | Net change other | Closing Balance 30 June 2014 |
|---|---|---|---|---|
| Mr S Tanner | 150,000 | – | – | 150,000 |
| Mr I Kirkwood | 36,310 | – | – | 36,310 |
| Ms Z Peach | 16,666 | – | – | 16,666 |
| Dr M Lawless | 2,139,704 | – | – | 2,139,704 |
| Dr J Reich | 2,738,301 | – | – | 2,738,301 |
| Dr C Rogers | 996,704 | – | – | 996,704 |
| Mr B Coverdale | 328,256 | – | – | 328,256 |
| Dr M Wooldridge | 25,000 | – | – | 25,000 |
| **Total** | **6,430,941** | – | – | **6,430,941** |

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the board

**S F Tanner,** Chairman

Melbourne, 25 August 2015

# Corporate Governance Statement



## CORPORATE GOVERNANCE STATEMENT 2015

The Board of Directors of Vision Eye Institute Limited (the 'Company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Corporate governance of the Company is guided by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Recommendations). The Council released the 3rd edition Recommendations in March 2014 and the Board is reporting against these recommendations.

This Corporate Governance Statement was approved by the Board on 24 August 2015 and is available in the Corporate Governance section of the Company's investor website along with the Company's Board and Committee Charters and its main corporate governance policies: www.investor.visioneyeinstitute.com.au

The Company's corporate governance statement provides specific information and disclosure of the extent to which the Company follows the Recommendations. Where a Recommendation has not been followed, the fact is disclosed, together with the reasons for the departure. The Company has lodged an Appendix 4G with ASX outlining the extent of the Company's compliance with each of the Recommendations.

# Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Vision Eye Institute Limited
Level 5, 390 St Kilda Road
MELBOURNE VIC 3004

25 August 2015

Dear Board Members,

**Vision Eye Institute Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Vision Eye Institute Limited.

As lead audit partner for the audit of the financial statements of Vision Eye Institute Limited for the year ended 30 June 2015, 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.

Yours sincerely,

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountant

# Consolidated Statement of Profit or Loss and other Comprehensive Income

**FOR THE YEAR ENDED 30 JUNE 2015**

| | Note | Consolidated 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| Rendering of services | | 112,860 | 110,587 |
| **Total revenue** | | **112,860** | **110,587** |
| Cost of services | 6 | (64,426) | (62,994) |
| **Gross profit** | | **48,434** | **47,593** |
| Occupancy expenses | | (7,576) | (7,732) |
| Other labour expenses | | (5,063) | (5,724) |
| Practice equipment expenses | | (1,699) | (1,960) |
| Advertising and marketing | | (1,020) | (994) |
| Other expenses | 6 | (6,037) | (7,113) |
| **Earnings before interest, tax and depreciation excluding other income and goodwill write-down** | | **27,039** | **24,070** |
| Goodwill write-down in respect of sale of business | 14 | (2,500) | – |
| Other income | 7 | – | 1,941 |
| Depreciation | | (4,932) | (5,094) |
| **Earnings before interest and tax (EBIT)** | | **19,607** | **20,917** |
| Finance income | | 664 | 231 |
| Finance costs | | (1,886) | (2,238) |
| **Net finance costs** | | **(1,222)** | **(2,007)** |
| **Profit before tax** | | **18,385** | **18,910** |
| Tax expense | 8 | (6,354) | (5,699) |
| **Profit after tax** | | **12,031** | **13,211** |
| **Other comprehensive income, net of tax** | | – | – |
| **Total comprehensive income** | | **12,031** | **13,211** |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (cents per share) | 10 | 6.7 | 7.9 |

# Consolidated Statement of Financial Position

## AS AT 30 JUNE 2015



| | Note | Consolidated 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 20 | 26,443 | 11,523 |
| Trade receivables | 12 | 3,615 | 3,722 |
| Other current assets | 12 | 1,956 | 2,093 |
| Inventory | | 804 | 907 |
| Assets classified as held for sale | 9 | 2,057 | – |
| **Total current assets** | | **34,875** | **18,245** |
| **Non-current assets** | | | |
| Other non-current assets | 12 | 160 | – |
| Deferred tax assets | 8 | 3,315 | 3,232 |
| Property, plant and equipment | 13 | 18,803 | 17,777 |
| Goodwill | 14 | 94,675 | 98,175 |
| **Total non-current assets** | | **116,953** | **119,184** |
| **Total assets** | | **151,828** | **137,429** |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 12,346 | 10,654 |
| Interest bearing liabilities | 16 | 2,347 | 3,705 |
| Provisions | 18 | 4,858 | 4,700 |
| Current tax liability | 8 | 1,737 | 2,816 |
| **Total current liabilities** | | **21,288** | **21,875** |
| **Non-current liabilities** | | | |
| Trade and other payables | 15 | 1,115 | 1,035 |
| Interest bearing liabilities | 16 | 29,500 | 34,500 |
| Provisions | 18 | 410 | 360 |
| **Total non-current liabilities** | | **31,025** | **35,895** |
| **Total liabilities** | | **52,313** | **57,770** |
| **Net assets** | | **99,515** | **79,659** |
| **Equity attributable to the equity holders** | | | |
| Contributed equity | 19 | 130,552 | 120,456 |
| Reserves | | 904 | 1,081 |
| Accumulated losses | | (31,941) | (41,878) |
| **Total equity** | | **99,515** | **79,659** |

# Consolidated Statement of Changes in Equity

## FOR THE YEAR ENDED 30 JUNE 2015



| | Consolidated | | | |
|---|---|---|---|---|
| | **Contributed equity $'000** | **Share based payment reserve $'000** | **Accum-ulated losses $'000** | **Total $'000** |
| **Balance at 1 July 2014** | **120,456** | **1,081** | **(41,878)** | **79,659** |
| Profit after tax | – | – | 12,031 | 12,031 |
| Other comprehensive income | – | – | – | – |
| **Total comprehensive income** | **–** | **–** | **12,031** | **12,031** |
| Dividend paid | – | – | (2,094) | (2,094) |
| Placement (net of costs) | 9,784 | – | – | 9,784 |
| Share based payments | – | 135 | – | 135 |
| Shares released from escrow as contingent consideration | 312 | (312) | – | – |
| **Balance at 30 June 2015** | **130,552** | **904** | **(31,941)** | **99,515** |
| | | | | |
| **Balance at 1 July 2013** | **120,159** | **1,106** | **(55,089)** | **66,176** |
| Profit after tax | – | – | 13,211 | 13,211 |
| Other comprehensive income | – | – | – | – |
| **Total comprehensive income** | **–** | **–** | **13,211** | **13,211** |
| Share based payments | – | 272 | – | 272 |
| Shares released from escrow as contingent consideration | 297 | (297) | – | – |
| **Balance at 30 June 2014** | **120,456** | **1,081** | **(41,878)** | **79,659** |

# Consolidated Statement of Cash Flows

**FOR THE YEAR ENDED 30 JUNE 2015**



| | Note | Consolidated 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 117,907 | 114,453 |
| Payments to suppliers and employees (inclusive of GST) | | (89,864) | (87,160) |
| Proceeds from insurance claim | | – | 1,941 |
| Income tax paid | | (7,410) | (5,792) |
| **Net cash inflows from operating activities** | **20** | **20,633** | **23,442** |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | (6,431) | (2,480) |
| Purchase of property | | – | (5,997) |
| Proceeds from sale of plant and equipment | | 138 | 167 |
| Proceeds from sale of business assets | | 288 | 380 |
| **Net cash flows used in investing activities** | | **(6,005)** | **(7,930)** |
| **Cash flows from financing activities** | | | |
| Net proceeds from placement | | 9,670 | – |
| Interest received | | 606 | 329 |
| Interest paid | | (1,736) | (2,247) |
| Dividend paid | | (2,094) | – |
| Cost of debt facility | | – | (425) |
| Lease finance received | | 490 | – |
| Repayment of lease liability | | (600) | (535) |
| Repayment of borrowings | | (6,500) | (9,000) |
| Receipt of settlement funds | | 456 | 52 |
| **Net cash flows from/(used in) financing activities** | | **292** | **(11,826)** |
| **Net increase in cash and cash equivalents** | | **14,920** | **3,686** |
| Add cash and cash equivalents at the beginning of the financial year | | 11,523 | 7,837 |
| **Cash and cash equivalents at end of period** | **20** | **26,443** | **11,523** |

# Notes to the Consolidated Financial Statements





## 1. Corporate information

Vision Eye Institute Limited (the Company) is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the Company as at, and for the year ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the Group).

The Group is a for-profit-entity; the nature of the operations and principal activities of the Group are described in the Directors' Report.

The consolidated financial report of the Company for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 25 August 2015.

## 2. Summary of significant accounting policies

### (a) Statement of compliance and basis of preparation

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

The consolidated financial report has been prepared on a historical cost basis, except for derivative financial instruments and contingent consideration which have been measured at fair value, and goodwill which has been recorded at cost less impairment charges. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial report is presented in Australian dollars which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order, amounts in the financial report are rounded to the nearest thousand dollars unless otherwise indicated.

The consolidated financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### (b) Application of new and revised Accounting Standards

**(i) New and revised AASB's affecting amounts reported and/or disclosures in the financial statements**

In the current year, the Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are mandatorily effective from 1 July 2014.

- AASB 2012-3 'Amendments to Australian Accounting Standards Offsetting Financial Assets and Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets and Financial Liabilities'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards – Part B: Materiality'

- AASB 2014-1 'Amendments to Australian Accounting Standards
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
- Interpretation 21 'Levies'
- AASB 1031 'Materiality' (2013)

Adoption of these standards did not have any effect on the financial position or performance of the Group.

**(ii) Accounting Standards and Interpretations issued but not yet effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2015 are outlined below. All these standards are applicable for adoption on or after 1 July 2015 and the Group has either not yet determined the extent of the impact of the requirements under the new standard or it is not expected to have a significant impact on the Group's financial report.

- AASB 9 'Financial Instruments'
- AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'
- AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'
- AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'
- AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'
- AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'
- AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'
- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'
- AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'

**(c) Basis of consolidation**

The consolidated financial statements of the Group comprise the financial statements of Vision Eye Institute Limited and its subsidiaries as at and for the period ended 30 June each year.

Subsidiaries are entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Vision Eye Institute Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the profit or loss of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

## 2. Summary of significant accounting policies *continued*

**(c) Basis of consolidation** *continued*

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the Statement of Profit or Loss and Other Comprehensive Income, and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interest
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings/accumulated losses as appropriate

**(d) Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Sharebased Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

### (e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Group does not have an overdraft facility.

### (f) Trade and other receivables

Trade receivables generally have terms of 30-60 days and are recognised initially at fair value on the date services are provided and subsequently measured at amortised cost less an allowance for any impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an individual clinic and day surgery level.

An allowance for impairment loss is made when there is objective evidence that the debt will not be collectible, including default of payment or where the debtor is experiencing financial difficulties. Individual debts that are known to be uncollectible are written off.

### (g) Inventories

Inventory comprises medical supplies used in the ophthalmic procedures performed in the Group's clinic, day surgery and refractive surgery facilities.

Inventories are valued at the lower of cost and net realisable value.

The cost of purchase comprises the purchase price plus other costs directly attributable to the acquisition of the medical supplies. The fee generated by ophthalmic surgical procedures exceeds the cost of medical supplies used in the provision of those procedures.

### (h) Derivative financial instruments and hedging

The Company enters into interest rate swaps to manage its exposure to interest rate risk. The interest rate swaps are not hedge accounted and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value at the end of each reporting period. The resulting gain or loss is recognised in profit and loss immediately.

### (i) Operating segments (Refer Note 5)

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available (Management will also consider other factors in determining operating segments such as the existence of regional Directors and state operations managers and the level of segment information presented to the Board of Directors).

Operating segments have been identified based on the information provided to the chief operating decision maker – being the Board of the Company.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the services,
- nature of the processes involved and methods used to provide the services,
- type or class of customer for the services, and
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 *Operating Segments* are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

## 2. Summary of significant accounting policies *continued*

### (j) Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the useful life of individual items of property, plant and equipment. Depreciation rates for plant and equipment are over 2 to 10 years. Buildings are depreciated over 20 years. Land is not depreciated.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease (including option periods) or the estimated useful lives of the improvements, whichever is the shorter.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### (k) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

### (l) Impairment of non-financial assets other than goodwill

Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Assets are written down to their recoverable amount when the carrying amount of the asset is greater than the higher of the assets' fair value less costs to sell and value in use. Where a group of assets working together supports the generation of net cash inflows relevant to the determination of recoverable amount, the net cash inflows are estimated for the relevant group of assets (cash generating unit) and the recoverable amount test is applied to the carrying amount of that group of assets.

Non-financial assets other than goodwill that have been previously impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### (m) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If this consideration transferred is lower than the fair value of the net identifiable assets of the acquiree the differences are recognised in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset at its current carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU), or groups of CGU's, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with AASB 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash generating unit (group of cash generating units), to which the goodwill relates. CGUs have been determined based on groups of clinics which share resources. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The Group performs its impairment testing as at 30 June each year. Refer Note 14 for further information.

When the recoverable amount of a CGU or group of CGU's is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a CGU and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Impairment losses recognised for goodwill are not subsequently reversed.

### (n) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they 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.

### (o) Interest bearing loans and borrowing costs

All loans and borrowings are initially recognised at the fair value for the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Company does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

Finance costs comprise interest expense on borrowings including borrowing costs.

### (p) Contributed equity

Ordinary shares, voting and non-voting are classified as equity. Contributed equity is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received, net of any tax effects.



### (q) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### Rendering of services

Revenue from the provision of ophthalmic procedures is recognised at the time of completion and billing to the patient or health fund.

#### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate which allocates interest income over the relevant period using an effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### Dividends

Dividend income is recognised in the profit or loss of the parent entity only and is recognised on the date that the right to receive payment is established.

### (r) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

#### Wages, salaries and annual leave

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured using remuneration rates which are expected to be paid when the liability is settled.

Sick leave is not accrued and the expense is recognised when the leave is taken and measured at the rates paid.

## 2. Summary of significant accounting policies *continued*

### (r) Employee benefits *continued*

**Long service leave**

The liability for long service leave is recognised and measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. In determining the present value of expected future cash outflows, the market yield as at the reporting date on national government bonds which have terms to maturity approximating the terms of the related liability are used.

### (s) Provisions

Provisions are recognised when the Group has a present obligation (legal, equitable or constructive) to make a future outflow of economic benefits as a result of past transactions or other past events, it is probable that a future outflow of economic benefits to settle the obligation will be required and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of expenses to be reimbursed under an insurance contract, any provision, is net of any reimbursement due to be received. The expense relating to any such provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

### (t) Share based payment transactions

The Group no longer provides benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares and rights over shares (equity settled transactions).

All outstanding share based transactions relate to the purchase of Doctor partner practices.

### (u) Income tax and other taxes

**Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**Tax consolidation legislation**

Vision Eye Institute Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The head entity, Vision Eye Institute Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Vision Eye Institute Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entitles in the Group.

**Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the ATO, in which case the GST is recognised as either part of the cost of acquisition of the asset or as part of the expense items applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (v) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gains on hedging instruments that are recognised in the profit or loss, and reclassification of amounts previously recognised in other comprehensive income.

Finance costs comprise interest expense and borrowing costs on borrowings. Refer Note 2(o).

### (w) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares.

## 3. Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its estimates and underlying assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its estimates and underlying assumptions on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policy for which significant estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions can be found in note 14 to the financial statements.

**Impairment of goodwill**
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, at the higher of value in use or fair value, to which the goodwill is allocated. Using a value in use discounted cash flow methodology, the recoverable amount of the goodwill at 30 June 2015 was determined to be in excess of the carrying value of $94.7 million (2014: $98.2 million). This excludes an amount held for sale of $1 million. As a consequence of the sale of the Gold Coast Business with effect from 1 July 2015, a write down of $2.5 million goodwill was identified, after taking into account the cash proceeds of $1 million for goodwill. The assumptions used in the estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 14.

## 4. Financial risk management

### (a) Financial risk management objective and policies
Interest, liquidity and credit risk arise in the normal course of the Group's business. The Group's principal financial instruments comprise bank loans, cash, short term deposits and interest rate swaps. Other financial instruments include trade receivables and trade payables.

The Group uses different methods to measure and manage different types of risks to which it is exposed, as further outlined below. The Group's management of financial risk is aimed at supporting the delivery of the Group's financial targets while protecting future financial security.

### (b) Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates to its floating debt obligations. To manage the exposure to variable rate debt, the Group has entered into interest rate swaps in which the Group has agreed to exchange at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. At 30 June 2015 the notional principal amount applicable is $18.5 million. This is based on two contracts, the first of which will expire at 1 October 2015 and the second on 31 July 2016. A swap contract has been entered into from 30 September 2015 with a notional principal amount of $17.0 million in line with the Group's facility agreement requiring at least 50% of the loan outstanding to be covered by interest rate swap contracts.

At balance date the Group had the following financial instruments exposed to Australian variable interest rate risk that are not designated as cash flow hedges.

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **Financial assets** | | |
| Cash and cash equivalents | 26,443 | 11,523 |
| **Financial liabilities** | | |
| Interest bearing liabilities (44% not hedged in the current year) (2014: 16%) | (14,125) | (6,000) |
| **Net exposure** | **12,318** | **5,523** |

Interest rate swaps with a fair value liability of $184,277 (2014: $168,220) are exposed to fair value movements if interest rates change. Refer Note 17 for further details.

The following table summarises the sensitivity of the fair value of financial instruments held at balance date to movements in interest rates. At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit/(loss) and other comprehensive income would have been affected as follows:

| | Profit after tax Higher/(Lower) | | Other Comprehensive income Higher/(Lower) | |
|---|---|---|---|---|
| **Judgements of reasonably possible movements:** | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** |
| +1% (100 basis points) | 86 | 39 | – | – |
| −0.5% (50 basis points) | (43) | (19) | – | – |

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on a review of the Group's last two year's historical movements and economic forecaster's expectations.
- A price sensitivity of derivatives has been based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

### (c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting obligations associated with financial liabilities as and when they fall due.

The liquidity position for the Group is managed to ensure financial commitments are met in a timely manner. Forecast cash flows are used to calculate the forecast liquidity position and to maintain suitable liquidity levels.

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and financial guarantees as of 30 June 2015. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

## 4. Financial risk management *continued*

**(c) Liquidity risk** *continued*

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay.

The risk implied from the values shown in the table below reflects a balanced view of outflows of non-derivative financial instruments. Trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as plant and equipment and investments in working capital (e.g. trade receivables).

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

| | | | 2015 | | |
|---|---|---|---|---|---|
| | Total $'000 | < 1 month $'000 | 1–2 months $'000 | 2–12 months $'000 | 1–2 years $'000 |
| **Consolidated** | | | | | |
| Trade payables | 7,002 | 7,002 | – | – | – |
| Other payables | 4,753 | 1,817 | – | 2,936 | – |
| Lease liability (non-interest bearing) | 1,706 | 42 | 42 | 507 | 1,115 |
| Interest bearing liabilities (1) | 32,000 | – | – | 2,500 | 29,500 |
| **Total payables** | **45,461** | **8,861** | **42** | **5,943** | **30,615** |

| | | | 2014 | | |
|---|---|---|---|---|---|
| | Total $'000 | < 1 month $'000 | 1–2 months $'000 | 2–12 months $'000 | 1–2 years $'000 |
| **Consolidated** | | | | | |
| Trade payables | 4,772 | 4,772 | – | – | – |
| Other payables | 5,397 | 2,786 | – | 2,611 | – |
| Lease liability (non-interest bearing) | 1,520 | 39 | 39 | 407 | 1,035 |
| Interest bearing liabilities (1) | 38,500 | – | – | 4,000 | 34,500 |
| **Total payables** | **50,189** | **7,597** | **39** | **7,018** | **35,535** |

(1) Refer to note 2(o) for discussion of classification of interest bearing liabilities as current.

### (d) Credit risk

Credit risk is the risk that a contracting party with the Group may not meet its obligations and in turn result in a potential financial loss to the Group.

The carrying amount of financial assets represents the maximum credit exposure. The major trade receivables of the Group are Medicare (government body) and private health funds and large healthcare companies, so credit risk is low for the majority of the balance. For the remaining trade debtor balances the concentration of credit risk is limited due to the consumer base being large and unrelated. The Group holds no collateral on trade receivables. Receivables balances are monitored on an ongoing basis and given the low risk profile of customers, the Group's exposure to bad debts is not significant.

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group would have to pay if the guarantee is called of $1,165,000 (2014: $1,187,000). As at 30 June 2015 no amount has been recognised in the consolidated financial position as financial liabilities (2014: $nil).

### (e) Fair value

Due to their short term nature, the fair value of all the financial assets and liabilities held by the Group is assumed to approximate the individual carrying values of those assets and liabilities.

The Group can use various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using 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 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The interest rate swaps are based on a level 2 method to determine fair value. The fair value has been determined by NAB and ANZ based on Mark to Market principles.

## 5. Segment reporting

### Identification of reportable segments

The Group has identified its operating segments for the year ended 30 June 2015 based on the internal reports that are reviewed and used by the Board (the chief operating decision maker) in assessing performance and in determining allocation of resources.

The operating segments are identified by management based on geographical areas characterised by state (Victoria, New South Wales, Queensland). Each state derives revenue from similar ophthalmic services. 'Other' is the aggregation of the Group's corporate and other activities. Discrete financial performance information about each of these regions is reported to the executive management team on at least a monthly basis.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered to be part of the core operations of any segment:

- Fair value gains/losses on cash flow hedge
- Interest revenue and expense
- Corporate and other costs
- Income tax expense

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2.

The following table is an analysis of the Group's revenue and results from continuing operations by reportable operating segments. The Board does not regularly review assets and liabilities of the reportable segments.

## 5. Segment reporting *continued*

| | NSW $'000 | VIC $'000 | QLD $'000 | CORP $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Year ended 30 June 2015** | | | | | |
| **Revenue** | | | | | |
| Revenue from rendering services | **32,905** | **37,775** | **42,180** | – | **112,860** |
| **Result** | | | | | |
| **Earnings before interest and tax (EBIT)** excluding Goodwill write-down | **6,532** | **9,407** | **13,017** | **(6,849)** | **22,107** |
| Goodwill write-down | | | | (2,500) | (2,500) |
| **Earnings before interest and tax (EBIT)** | | | | | **19,607** |
| Net finance costs | | | | | (1,222) |
| **Profit before tax** | | | | | **18,385** |
| Tax expense | | | | | (6,354) |
| **Profit after tax** | | | | | **12,031** |

| | NSW $'000 | VIC $'000 | QLD $'000 | CORP $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Year ended 30 June 2014** | | | | | |
| **Revenue** | | | | | |
| Revenue from rendering services | **32,889** | **34,966** | **42,732** | – | **110,587** |
| **Result** | | | | | |
| **Earnings before interest and tax (EBIT)** | **6,519** | **9,422** | **11,588** | **(6,612)** | **20,917** |
| Net finance costs | | | | | (2,007) |
| **Profit before tax** | | | | | **18,910** |
| Tax expense | | | | | (5,699) |
| **Profit after tax** | | | | | **13,211** |

As a result of a review of the Group operating structure, the chief operating decision maker has determined that there is only one operating segment, Ophthalmic operations, and this will be reflected in future operating periods.

## 6. Expenses

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **(a) Cost of services** | | |
| **Employee benefits expenses** | | |
| Wages and salaries | (21,931) | (21,580) |
| Superannuation contributions | (1,933) | (1,854) |
| Other employee related expenses | (1,972) | (2,595) |
| **Employee expenses included in cost of services** | **(25,836)** | **(26,029)** |
| Medical supplies expenses | (15,980) | (14,415) |
| Doctor contract payments | (21,458) | (21,316) |
| Other contractor expenses | (1,152) | (1,234) |
| **Total Cost of services** | **(64,426)** | **(62,994)** |
| **(b) Other expenses** | | |
| Clinic management expenses | (1,547) | (1,794) |
| Administration expenses | (1,718) | (1,457) |
| Consultancy expenses | (940) | (546) |
| Travel and conference expenses | (431) | (383) |
| IT expenses | (747) | (698) |
| Legal expenses | (519) | (1,963) |
| Share based payment expense | (135) | (272) |
| **Total Other expenses** | **(6,037)** | **(7,113)** |

## 7. Other income

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Proceeds from insurance claim | – | 1,941 |
| | – | **1,941** |

## 8. Income tax

### (a) Tax expense

| | Consolidated 2015 $'000 | Consolidated 2014 $'000 |
|---|---|---|
| Major components of tax expense are: | | |
| **Consolidated Statement of Profit or Loss and Other Comprehensive Income** | | |
| **Current income tax** | | |
| Current income tax charge | 6,532 | 6,102 |
| Adjustments for current income tax of previous years | – | 1 |
| **Deferred income tax** | | |
| Relating to origination and reversal of temporary differences | (178) | (404) |
| **Tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income** | **6,354** | **5,699** |

### (b) Reconciliation of tax expense recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and tax expense calculated at the statutory rate

| | Consolidated 2015 $'000 | Consolidated 2014 $'000 |
|---|---|---|
| **Accounting profit before tax** | **18,385** | **18,910** |
| Tax at the Australian income tax rate of 30% (2014: 30%) | 5,516 | 5,673 |
| Tax effect of items not (assessable)/deductible for income tax purposes: | | |
| Non-deductible entertainment expense | 19 | 11 |
| Share based payments expense | 40 | 82 |
| Profit on sale of business assets not taxable | – | (78) |
| Non-deductible building depreciation | 29 | 10 |
| Impairment of goodwill | 750 | – |
| Adjustment for current income tax of previous years | – | 1 |
| **Tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income** | **6,354** | **5,699** |

### (c) Recognised current/deferred tax assets and liabilities

| | Consolidated | | | |
|---|---|---|---|---|
| | 2015 Current tax liability $'000 | 2015 Deferred tax asset $'000 | 2014 Current tax liability $'000 | 2014 Deferred tax asset $'000 |
| Opening balance | (2,816) | 3,232 | (2,574) | 2,984 |
| Charged to income | (6,532) | 178 | (6,102) | 404 |
| Charged to equity cost of capital raising | 112 | (112) | 89 | (89) |
| Tax instalment payments (net) | 7,410 | – | 5,792 | – |
| Sale of business assets | – | (6) | – | (88) |
| Other | – | 112 | – | – |
| (Under)/over provision previous year | 89 | (89) | (21) | 21 |
| **Closing balance** | **(1,737)** | **3,315** | **(2,816)** | **3,232** |

### (d) Recognised deferred tax assets

| | Consolidated | | | |
|---|---|---|---|---|
| | Statement of financial position | | Statement of consolidated profit or loss and other comprehensive income | |
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Accruals | 1,356 | 1,215 | 124 | 333 |
| Provision for employee leave entitlements | 1,581 | 1,518 | 55 | 137 |
| Cost of capital raising | 270 | 269 | – | – |
| Other | 108 | 230 | (1) | (66) |
| **Gross deferred income tax assets** | **3,315** | **3,232** | | |
| **Deferred tax income/(expense)** | | | **178** | **404** |

## 8. Income tax *continued*

### (e) Tax losses

The Group has capital tax losses for which no deferred tax asset is recognised in the Consolidated Statement of Financial Position of $282,880 (2014: $282,880) which are available indefinitely for offset against future capital gains subject to continuing to meet relevant statutory tests.

### (f) Tax consolidation

Vision Eye Institute Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. Vision Eye Institute Limited is the head entity of the tax consolidated group.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

**Nature of tax funding arrangements and tax sharing arrangements**

The head entity Vision Eye Institute Limited, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payments obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

At 30 June 2015, there is no recognised deferred tax liability (2014: $nil) for taxes that would be payable on the earnings remitted from the Group's subsidiaries to the Parent as the Group has no liability for additional taxation should such amounts be remitted.

## 9. Assets classified as held for sale

On 25 May 2015, the Company entered into an agreement to sell the Gold Coast consulting clinics (Gold Coast Business) with effect from 1 July 2015 on which date control of the Gold Coast Business passed to the acquirer.

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Assets related to Gold Coast Business | 2,057 | – |
| Liabilities associated with assets held for sale | – | – |
| Amounts recognised directly in equity associated with assets held for sale | – | – |
| The major classes of assets and liabilities at the end of the reporting period and classified as held for sale are as follows: | | |
| Goodwill | 1,000 | |
| Plant and equipment | 985 | |
| Inventories | 72 | |
| Assets of Gold Coast Business classified as held for sale | **2,057** | |
| Liabilities of Gold Coast Business classified as held for sale | – | |
| **Net assets of Gold Coast Business classified as held for sale** | **2,057** | |

## 10. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations.

**Profit attributable to ordinary shareholders**

| | **2015 $'000** | **2014 $'000** |
|---|---|---|
| Net profit attributable to ordinary equity holders of the parent | **12,031** | **13,211** |

**Weighted average number of shares**

| | **2015 Thousands** | **2014 Thousands** |
|---|---|---|
| Weighted average number of ordinary shares for purposes of basic and diluted earnings per share | 178,949 | 167,522 |

**Earnings per share**

| | **2015 Cents** | **2014 Cents** |
|---|---|---|
| Basic and diluted earnings per share | 6.7 | 7.9 |

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

## 11. Dividends on equity instruments

### (a) Dividends paid and proposed

| | Consolidated | | | |
|---|---|---|---|---|
| | Year Ended 30 June 2015 | | Year Ended 30 June 2014 | |
| | Cents Per Share | Total $'000 | Cents Per Share | Total $'000 |
| **Recognised amounts** | | | | |
| Fully paid ordinary shares | | | | |
| Final FY14 dividend | 1.25 | 2,094 | – | – |
| **Unrecognised amounts** | | | | |
| Fully paid ordinary shares | | | | |
| Final dividend | 2.50 | 4,607 | 1.25 | 2,094 |

On 25 August 2015, the Company declared a fully franked final dividend of 2.5 cents per ordinary share for the year ended 30 June 2015 totalling $4.6 million (2014: $2.1 million) as follows:

| Declared after end of year | Per ordinary share | Total amount | Franking | Payment date |
|---|---|---|---|---|
| 2015 Final | 2.50 cents | $4.6 million | 30% | 30 September 2015 |

The record date for the payment to shareholders is 1 September 2015.

### (b) Franking credits

| | Consolidated | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **The amount of franking credits available for the subsequent financial year are:** | | |
| Franking account balance as at the end of the financial year at 30% (2014: 30%) | 43,369 | 36,856 |
| Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 521 | 1,173 |
| | **43,890** | **38,029** |
| **The amount of franking credits available for future reporting periods:** | | |
| Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period | (1,974) | (897) |
| | **41,916** | **37,132** |

## 12. Trade receivables and other assets

| | Consolidated 2015 $'000 | 2014 $'000 |
|---|---|---|
| **(a) Trade receivables** | | |
| Trade receivables | 3,919 | 4,051 |
| Allowance for doubtful debts | (304) | (329) |
| **Trade receivables** | **3,615** | **3,722** |
| **(b) Other current assets** | | |
| Sundry receivables | 749 | 1,248 |
| Prepayments | 1,207 | 845 |
| **Total other current assets** | **1,956** | **2,093** |
| **(c) Other non-current assets** | | |
| Sundry receivables | 160 | – |
| **Total other current assets** | **160** | – |
| Movements in the allowance for impairment losses were as follows: | | |
| As at 1 July | 329 | 331 |
| Amounts written off | (25) | (2) |
| **As at 30 June** | **304** | **329** |

Trade receivables are non-interest bearing and are expected to settle within 30-60 days. An allowance for impairment loss is made when there is objective evidence that an individual debt will not be recoverable, including default of payment or where the debtor is experiencing financial difficulties.

At 30 June 2015 the average days sales outstanding was 17 days (2014: 19 days). The ageing analysis of trade receivables is as follows:

| | | | Past due not impaired | | Considered impaired |
|---|---|---|---|---|---|
| | **Total $'000** | **0–30 days $'000** | **30–60 days $'000** | **+ 60 days $'000** | **+ 60 days $'000** |
| 2015 | 3,919 | 3,544 | 71 | – | 304 |
| 2014 | 4,051 | 2,632 | 1,014 | 76 | 329 |

## 13. Property, plant and equipment

| | Consolidated 2015 $'000 | Consolidated 2014 $'000 |
|---|---|---|
| Carrying amounts of: | | |
| Land & buildings | 5,868 | 5,965 |
| Plant & equipment | 11,378 | 9,990 |
| Finance lease equipment | 1,557 | 1,822 |
| | **18,803** | **17,777** |

| **Year ended 30 June 2015** | **Land & buildings $'000** | **Plant & equipment $'000** | **Finance lease equipment $'000** | **Total $'000** |
|---|---|---|---|---|
| At cost | 5,997 | 34,813 | 3,801 | 44,611 |
| Accumulated depreciation and impairment | (129) | (23,435) | (2,244) | (25,808) |
| **Net carrying amount** | **5,868** | **11,378** | **1,557** | **18,803** |

**Reconciliation of carrying amounts at beginning and end of the period**

| **Year ended 30 June 2015** | **Land & buildings $'000** | **Plant & equipment $'000** | **Finance lease equipment $'000** | **Total $'000** |
|---|---|---|---|---|
| At 1 July net of accumulated depreciation and impairment | 5,965 | 9,990 | 1,822 | 17,777 |
| Disposals (net) | – | (281) | – | (281) |
| Additions | – | 6,734 | 490 | 7,224 |
| Reclassified as assets held for sale | – | (985) | – | (985) |
| Depreciation expense | (97) | (4,080) | (755) | (4,932) |
| **Total written down amount** | **5,868** | **11,378** | **1,557** | **18,803** |

| **Year ended 30 June 2014** | **Land & buildings $'000** | **Plant & equipment $'000** | **Finance lease equipment $'000** | **Total $'000** |
|---|---|---|---|---|
| At cost | 5,997 | 40,350 | 3,311 | 49,658 |
| Accumulated depreciation and impairment | (32) | (30,360) | (1,489) | (31,881) |
| **Net carrying amount** | **5,965** | **9,990** | **1,822** | **17,777** |

**Reconciliation of carrying amounts at beginning and end of the period**

| **Year ended 30 June 2014** | **Land & buildings $'000** | **Plant & equipment $'000** | **Finance lease equipment $'000** | **Total $'000** |
|---|---|---|---|---|
| At 1 July net of accumulated depreciation and impairment | – | 12,118 | 1,933 | 14,051 |
| Disposals (net) | – | (153) | – | (153) |
| Additions | 5,997 | 2,480 | 496 | 8,973 |
| Depreciation expense | (32) | (4,455) | (607) | (5,094) |
| **Total written down amount** | **5,965** | **9,990** | **1,822** | **17,777** |

The debt facility established by the Group in August 2009 (refer Note 16) is secured by all assets of the Group, including plant and equipment. A mortgage is held jointly by ANZ and NAB over the Box Hill freehold property.

## 14. Goodwill

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **Cost** | | |
| At beginning and end of year | 218,170 | 218,170 |
| **Accumulated impairment:** | | |
| Balance at beginning of year | (119,995) | (119,995) |
| Write-down recognised in respect of the Gold Coast Business | (2,500) | – |
| Total accumulated impairment | (122,495) | (119,995) |
| Reclassified as asset held for sale | (1,000) | – |
| **Net book value at end of the year** | **94,675** | **98,175** |
| **(a) Reconciliation of movement in goodwill** | | |
| At 1 July net of accumulated impairment | 98,175 | 98,175 |
| Write-down recognised in respect of the Gold Coast Business | (2,500) | – |
| Reclassified as asset held for sale | (1,000) | – |
| **At 30 June net of accumulated impairment** | **94,675** | **98,175** |

### (b) Description of the Group's 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 acquired through business combinations has been allocated to and is tested at the level of the respective cash generating units (CGU), each of which is both an operating segment and a reportable segment (refer to Note 5).

### (c) Write-down recognised

At 30 June 2015 a write-down of $2.5 million was recognised within the Queensland CGU in respect of the Gold Coast Business, control of which passed to the acquirer on 1 July 2015 (2014: $ nil).

## 14. Goodwill *continued*

### (d) Carrying amount of goodwill allocated to each cash generating unit

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Cash generating unit** | | |
| Victoria | 46,999 | 46,999 |
| New South Wales | 25,816 | 25,816 |
| Queensland (1) | 21,860 | 25,360 |
| | **94,675** | **98,175** |

(1) Excludes $1 million of goodwill classified as held for sale

### (e) Impairment tests for Goodwill

**(i) Key assumptions used in value in use calculations**

The recoverable amount of the cash generating units has been determined based on a value in use calculation, using cash flow projections based on financial budgets approved by the Board covering a one year period and cash flows prepared by senior management for a further four years.

The pre-tax discount rate applied to the cash flow projections was 14.3% (2014: 14.0%). The terminal growth rate used for discounting cash flows post 2020 was 2.5% (2014: 2.5%).

The preparation of the financial budgets and forecast considered all known factors affecting the respective CGU's at this time. Revenue growth rates used for cash flow projections are considered to be conservatively less than the expected growth in the ophthalmic industry based on current industry data. Regional risk factors have been factored into the underlying cash flows of each CGU.

**ii) Sensitivity to changes in assumptions**

At this time, the Company believes that there is no reasonable possible change in any of the above key assumptions that would cause the carrying value of the Group's CGUs to fall below their recoverable amount.

## 15. Trade and other payables

| | Consolidated | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **Current:** | | |
| Trade payables | 7,002 | 4,772 |
| Other payables | 4,753 | 5,397 |
| Lease liability (non-interest bearing) | 591 | 485 |
| | **12,346** | **10,654** |
| **Non-current:** | | |
| Lease liability (non-interest bearing) | 1,115 | 1,035 |
| | **1,115** | **1,035** |

## 16. Interest bearing liabilities

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **Current** | | |
| Borrowings | 2,500 | 4,000 |
| Establishment fees | (153) | (295) |
| | **2,347** | **3,705** |
| **Non-current** | | |
| Borrowings | 29,500 | 34,500 |
| | **29,500** | **34,500** |
| **Total interest bearing liabilities** | **31,847** | **38,205** |

At 30 June 2015 the facility limit was $32.0 million. The Company is required to repay $2.5 million during the year ending 30 June 2016 and the facility will expire on 31 July 2016.

A requirement of the facility agreement is that a minimum of 50% of the facility is to be covered by interest rate swaps at all times.

## 17. Derivative financial instruments

At 30 June 2015, the following interest rate swap contracts were outstanding:

| Commencement Date | Expiry Date | Notional Principal |
|---|---|---|
| 30 September 2014 | 31 July 2016 | $9.4 million reducing to $6.9 million |
| 1 April 2015 | 1 October 2015 | $9.8 million reducing to $9.1 million |

The fair value of the interest rate swaps of $184,277 (2014: $168,220) is recorded in Other Payables in note 15. The interest rate swaps are not hedge accounted.

## 18. Provisions

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **Current** | | |
| Employee benefits – Annual leave | 2,679 | 2,514 |
| Employee benefits – Long service leave | 2,179 | 2,186 |
| | **4,858** | **4,700** |
| **Non-current** | | |
| Employee benefits – Long service leave | 410 | 360 |
| | **410** | **360** |
| **Total provisions** | **5,268** | **5,060** |

## 19. Contributed equity

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Ordinary shares, issued and fully paid | 124,977 | 113,599 |
| Ordinary non-voting shares, issued and fully paid | 5,575 | 6,857 |
| | **130,552** | **120,456** |

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

**Movement in Ordinary Voting Shares**

| | Consolidated | |
|---|---|---|
| | **Number of shares '000s** | **$'000** |
| **At 1 July 2013** | **159,192** | **111,017** |
| Contingent consideration escrow release | 794 | 297 |
| Conversion of ordinary non-voting shares to ordinary shares upon lapse of the voluntary escrow arrangements | 1,031 | 2,285 |
| **At 30 June 2014** | **161,017** | **113,599** |
| Placement (net of costs) | 16,750 | 9,784 |
| Contingent consideration escrow release | 794 | 312 |
| Conversion of ordinary non-voting shares to ordinary shares upon lapse of the voluntary escrow arrangements | 985 | 1,282 |
| **At 30 June 2015** | **179,546** | **124,977** |

The Group's objective when managing capital is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and be in a position to take advantage of acquisition opportunities as they arise. The Group also aims to maintain a capital structure that ensures the lowest cost of capital is available to the entity.

During the financial year ended 30 June 2015 the Group paid dividends of $2.1 million (2014: $nil). The Company has declared a final dividend for the year ended 30 June 2015 totalling $4.6 million which has not been included as a liability in these financial statements.

The Group's acquisition strategy includes the option of issuing shares as part of the consideration paid to the Doctor vendors of the practices acquired. The Group will continue with this policy as having Doctor Partners holding equity in the company remains an important element of the Group's strategy.

### Ordinary non-voting shares

As at the date of this report, the Group, through its voluntary escrow arrangements arising from previous Doctor related acquisitions, currently has a relevant interest in 2.6% (2014: 3.9%) of its total issued share capital. Nil non-voting ordinary shares were issued during the year as part consideration for Doctor related acquisitions (2014: nil). The ordinary non-voting shares will convert into ordinary voting shares when the escrow period lapses.

### Movement in Ordinary Non-voting Shares

| | Consolidated | |
|---|---|---|
| | Number of shares '000s | $'000 |
| **At 1 July 2013** | **8,330** | **9,142** |
| Shares released from escrow as contingent consideration | (794) | – |
| Conversion of ordinary non-voting shares to ordinary shares upon lapse of the voluntary escrow arrangements | (1,031) | (2,285) |
| **At 30 June 2014** | **6,505** | **6,857** |
| Shares released from escrow as contingent consideration | (984) | (1,282) |
| Conversion of ordinary non-voting shares to ordinary shares upon lapse of the voluntary escrow arrangements | (794) | – |
| **At 30 June 2015** | **4,727** | **5,575** |

## 20. Cash flow statement reconciliation

### (a) Reconciliation of net profit/(loss) after tax to net cash flows from operations

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Net profit after tax | 12,031 | 13,211 |
| **Adjustments for:** | | |
| Depreciation of non-current assets | 4,932 | 5,094 |
| (Gain) on disposal of plant and equipment and business assets | (232) | (465) |
| Share based payments | 135 | 272 |
| Net finance costs | 1,222 | 2,007 |
| Write-down of goodwill | 2,500 | – |
| **Changes in assets and liabilities** | | |
| Decrease in trade receivables | 106 | 672 |
| (Increase)/decrease in other current assets | (295) | 174 |
| Decrease in inventory | 103 | 17 |
| Increase in trade and other payables | 1,085 | 2,314 |
| Increase in provision for employee entitlements | 208 | 164 |
| Decrease in tax liability/deferred tax asset | (1,162) | (18) |
| **Net cash flow from operating activities** | **20,633** | **23,442** |

### (b) Reconciliation of cash

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Cash balance comprises: | | |
| Cash at bank and on hand | 26,443 | 11,523 |
| **Closing cash balance** | **26,443** | **11,523** |

## 21. Expenditure commitments

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **(a) Operating property lease commitments (non-cancellable)** | | |
| Within one year | 4,097 | 5,522 |
| After one year but not more than five years | 8,388 | 12,083 |
| After more than five years | 6,628 | 6,460 |
| Total minimum lease payments | **19,113** | **24,065** |
| **(b) Finance lease commitments (non-interest bearing)** | | |
| Within one year | 591 | 485 |
| After one year but not more than five years | 1,115 | 1,035 |
| | **1,706** | **1,520** |
| **(c) Capital commitments** | | |
| Plant and equipment commitments contracted for but not recognised as liability at reporting date, payable: | | |
| Within one year | **91** | – |
| After one year but not more than five years | – | – |

## 22. Contingent assets and liabilities

**Dr David Kitchen Litigation**

In October 2014, judgement was made in favour of the Company in relation to its breach of contract claim, with Dr Kitchen's counterclaim dismissed. On 21 April 2015 the Supreme Court of Queensland determined damages and interest payable by Dr Kitchen in favour of VEI of $10.8 million. At the date of this report the damages including interest amount to approximately $11.1 million. Quantum of costs are yet to be determined by the court. Dr Kitchen has lodged an appeal against this decision and it is expected that the appeal will be held within the next six months.

## 23. Auditor's remuneration

| | Consolidated | |
|---|---|---|
| | **2015 $** | **2014 $** |
| Amounts received or due and receivable by Deloitte Touche Tohmatsu for: | | |
| Audit or review of the financial report | 176,500 | 177,600 |
| | **176,500** | **177,600** |

## 24. Share based payments

Except for incentive performance rights issued to the former CEO at the 2014 AGM in respect of his LTI plan, there were no new share based payment arrangements entered into during the year ended 30 June 2015. These rights were cancelled on his resignation. Existing share based payments relate solely to Doctor practice related acquisitions in previous years.

There were nil share options outstanding at the beginning and the end of the year.

The share based payments plans are described below. There have been no cancellations or modifications to these plans.

### Employee Option Plan

Selected senior executives may be offered options over ordinary shares under the Employee Option Plan. No options were granted during the year and there are no outstanding options at 30 June 2015.

### Practice Enhancement Fund

The Company's Practice Enhancement Fund (PEF) is a notional pool of un-issued shares similar to options. A notional amount equivalent to 7.5% of the assessed fair value of individual ophthalmic practice acquisitions was set aside in the PEF at the date of certain acquisitions. This amount is quantified as a number of notional shares, based on the market price of the Company's shares at the time the acquisition is settled.

Issues from the PEF are made at the sole discretion of the Board to promote the long term success of the Group. The PEF served two primary purposes, firstly to attract, maintain, retain and increase the equity participation of certain Doctors, Associates and Visiting Surgeons and secondly under the terms of its employee share scheme.

The benefits of the PEF have been limited due to changes in the tax laws and the last issue from the PEF was during the year ended 30 June 2010. As at 30 June 2015, there were 5,352,987 notional, unissued ordinary shares in the PEF.

## 25. Significant events after balance sheet date

On 6 July 2015 Pulse Health Limited lodged a takeover offer for the whole of the Company which the directors formally rejected as inadequate in the Target Statement lodged on 4 August 2015.

On 16 July 2015 the Company announced that it had purchased a 65% controlling interest in Vision Centre Day Surgery for approximately $4 million with effect from 1 July 2015. Vision Centre Day Surgery is located on the Gold Coast and has been established for over 15 years. The initial accounting for the acquisition of Vision Centre Day Surgery has not yet been finalised and the disclosures relating to this acquisition will be included in the half-year-reporting at 31 December 2015.

On 31 July 2015 Primary Healthcare Limited advised the Company they had sold a 19.99% interest in the Company to Jangho Group Co., Ltd (Jangho) a public company listed on the Main Board of Shanghai Stock Exchange.

On 13 August 2015 Jangho made an all cash off-market takeover offer for the Company of $1.10 cash per ordinary share. Later that same day the directors recommended that shareholders accept the Jangho offer, subject to there being no further superior alternative proposal.

On 14 August Pulse Health Limited issued a notice of defeating conditions for the Company in respect of their off-market takeover bid.

On 25 August 2015 the Company declared a fully franked final dividend of 2.5 cents per ordinary share, which is payable on 30 September 2015 (refer Note 11).

## 26. Parent entity information

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Information relating to the parent entity, Vision Eye Institute Limited: | | |
| Current assets | 6,661 | 4,840 |
| Non-current assets | 106,336 | 106,336 |
| Total assets | 112,997 | 111,176 |
| Current liabilities | 4,577 | 6,820 |
| Non-current liabilities | 29,500 | 34,500 |
| Total liabilities | 34,077 | 41,320 |
| Issued capital | 130,552 | 120,456 |
| Accumulated losses | (52,536) | (51,681) |
| Share based payment reserve | 904 | 1,081 |
| **Total shareholders' equity** | **78,920** | **69,856** |
| Loss of the parent entity | (855) | (1,405) |
| Total comprehensive loss of the parent entity | (855) | (1,405) |

Refer Note 29 for details of the Deed of Cross Guarantee entered by Vision Eye Institute Limited and all of its subsidiaries.
Refer Note 22 for details of contingent liabilities of the parent entity.

## 27. Related party disclosure

### (a) Transactions with related parties in wholly-owned group

Companies within the wholly owned group made a distribution of profits to the ultimate parent entity, Vision Eye Institute Limited, through inter-company accounts.

### (b) Transactions with key management personnel

| | Consolidated | |
|---|---|---|
| **Related party** | **2015 $'000** | **2014 $'000** |
| Occuli Service Pty Ltd<br>– lease of premises at Camberwell, Victoria<br>(a company significantly influenced by Dr J Reich) | 398 | 373 |
| Michael Lawless Pty Ltd<br>– provision of profit share of ophthalmic clinics<br>(a company significantly influenced by Dr M Lawless) | 1,049 | 1,494 |
| JAR Consulting Pty Ltd<br>– provision of profit share of ophthalmic clinics<br>(a company significantly influenced by Dr J Reich) | 540 | 355 |
| Toonpaint Pty Ltd<br>– provision of profit share of ophthalmic clinics<br>(a company significantly influenced by Dr T Roberts) | 522 | – |
| CM Rogers & CA Norrie Pty Ltd<br>– provision of ophthalmic services under contract<br>(a company significantly influenced by Dr C Rogers) | 78 | 71 |

### (c) Terms and conditions

All above related party transactions were made on normal commercial terms and conditions.

## 28. Key management personnel (KMP)

The aggregate compensation made to KMP of the Group is set out below:

| | Consolidated | |
|---|---|---|
| | **2015 $** | **2014 $** |
| Short-term employee benefits | 1,460,779 | 1,469,662 |
| Post-employment benefits | 96,835 | 84,840 |
| Termination benefits | 560,000 | – |
| Long-term employee benefits | 1,949 | 2,228 |
| **Total KMP compensation** | **2,119,563** | **1,556,730** |

## 29. Controlled entities

The consolidated financial statements include the financial statements of Vision Eye Institute Limited and all its controlled entities as listed in the following table. All controlled entities are incorporated in Australia.

| | Percentage of equity held by consolidated entity | |
|---|---|---|
| | **2015** | **2014** |
| VEI Services Pty Ltd | 100% | 100% |
| Victorian Optical Supplies Pty Ltd | 100% | 100% |
| Macquarie Eye Centre Pty Ltd | 100% | 100% |
| Sydney Eastern Eye Centre Pty Ltd | 100% | 100% |
| Vision Group Gold Coast Pty Ltd | 100% | 100% |
| Total Vision Solutions Pty Ltd | 100% | 100% |
| Vision Group North QLD Pty Ltd | 100% | 100% |
| The Eye Institute Pty Ltd | 100% | 100% |
| Swordfish Nominees Pty Ltd (Central QLD) | 100% | 100% |
| P H Hughes Pty Ltd (Hurstville NSW) | 100% | 100% |
| Lee Lenton Medical Pty Ltd | 100% | 100% |
| The Laservision Centre Pty Ltd | 100% | 100% |
| Crystal Clear Nominees Pty Ltd | 100% | 100% |
| The Eye Centre Pty Ltd | 100% | 100% |
| Outlook Day Theatre Pty Ltd | 100% | 100% |
| Icon Laser (Aust) Pty Ltd | 100% | 100% |
| J A Noble Pty Ltd | 100% | 100% |
| Colin C.K. Chan Pty Ltd | 100% | 100% |
| Retina Specialists Pty Ltd | 100% | 100% |
| Dr Andre Horak Pty Ltd | 100% | 100% |
| Dr Ed Boets Pty Ltd | 100% | 100% |
| Mackay Eye Centre Pty Ltd | 100% | 100% |
| Dr L Levitz Pty Ltd | 100% | 100% |
| VEI Wholesale Pty Ltd | 100% | – |

**Deed of cross guarantee**

Pursuant to ASIC Class Order 98/1418, relief has been granted to all controlled entities outlined above from the Corporations Act 2001 requirements for the preparation, audit and lodgement of their financial reports (with exception of Dr L Levitz Pty Ltd). As a condition of the Class Order, Vision Eye Institute Limited and subsidiaries (the Closed Group) entered into a Deed of Cross Guarantee. The effect of the deed is that Vision Eye Institute Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of loans, leases or other liabilities subject to guarantee. The controlled entities have also given a similar guarantee in the event that Vision Eye Institute Limited is wound up or if it does not meet its obligations under the terms of loans, leases or other liabilities subject to the guarantee.

A Closed Group statement of financial performance and financial position has not been prepared as the Closed Group is the same as the consolidated entity as presented in this financial report.

# Directors' Declaration

In accordance with the resolution of the Directors of Vision Eye Institute Limited, I state that:

1. In the opinion of the Directors:

   (a) The financial statements and notes and additional disclosures included in the Directors' report designated as audited, of the Company and of the consolidated entity are 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 2015 and the performance for the year ended on that date.

      (ii) Complying with Accounting Standards and the Corporations Regulations 2001.

   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (d) At the date of this declaration there are reasonable grounds to believe that the members of the Closed Group identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295(5) of the Corporations Act 2001 for the financial year ended 30 June 2015.

On behalf of the board

**S F Tanner**
Chairman
Melbourne, 25 August 2015

Deloitte Touche Tohmatsu
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# Independent Auditor's Report to the Members of Vision Eye Institute Limited

## Report on the Financial Report

We have audited the accompanying financial report of Vision Eye Institute Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, 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 as set out on pages 18 to 54.

*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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company'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.

# Independent Auditor's Report



Deloitte.

*Auditor's Independence Declaration*

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 Vision Eye Institute 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 Vision Eye Institute 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 2015 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 8 to 15 of the directors' report for the year ended 30 June 2015. 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 Vision Eye Institute Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 25 August 2015

# Additional ASX Information



Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 8 August 2015.

### (a) Distribution of equity securities

| | Ordinary Voting Shares | | Ordinary Non-Voting Shares | |
|---|---|---|---|---|
| **Investor Range** | **Shareholders** | **Issued Capital** | **Shareholders** | **Issued Capital** |
| 1 – 1,000 | 820 | 478,553 | – | – |
| 1,001 – 5,000 | 1,616 | 4,730,139 | – | – |
| 5,001 – 10,000 | 978 | 7,554,296 | – | – |
| 10,001 – 100,000 | 884 | 24,926,418 | 3 | 184,522 |
| 100,001 and over | 94 | 142,231,324 | 9 | 4,167,034 |
| | **4,392** | **179,920,730** | **12** | **4,351,556** |

There were 371 holders of less than a marketable parcel of 532 shares.

### (b) Substantial shareholders (as notified by shareholder to the ASX)

| | Ordinary Voting Shares | |
|---|---|---|
| | **Number** | **Percentage** |
| Jangho Group Co Limited | 35,984,135 | 19.99% |
| Viburnam Funds Pty Limited | 28,560,215 | 15.91% |
| Adam Smith Asset Management Pty Limited | 10,534,389 | 6.54% |
| | **75,078,739** | |

# Additional ASX Information *continued*

### (c) Twenty largest holders of quoted securities

| | | Ordinary Voting Shares | |
|---|---|---|---|
| **Number** | **Name** | **Number** | **Percentage** |
| 1 | Golden Acumen Holdings Limited | 35,984,135 | 19.99% |
| 2 | Viburnum Funds Pty Ltd | 26,872,678 | 14.94% |
| 3 | National Nominees Limited | 11,479,653 | 6.38% |
| 4 | RBC Investor Services Australia Nominees Pty Ltd | 8,236,893 | 4.58% |
| 5 | JP Morgan Nominees Australia Limited | 7,750,670 | 4.31% |
| 6 | Citicorp Nominees Pty Ltd | 5,436,910 | 3.02% |
| 7 | T Batsakis Pty Ltd | 5,060,000 | 2.81% |
| 8 | HSBC Custody Nominees (Australia) Limited | 4,589,856 | 2.55% |
| 9 | Denmark Hill Investments Pty Ltd | 2,769,031 | 1.54% |
| 10 | UBS Nominees Pty Ltd | 2,268,278 | 1.26% |
| 11 | Pershing Australia Nominees Pty Ltd | 2,129,176 | 1.18% |
| 12 | BNP Parabis Noms Pty Ltd | 2,112,122 | 1.17% |
| 13 | Zero Nominees Pty Ltd | 1,687,537 | 0.94% |
| 14 | Bond Street Custodians Limited | 1,647,099 | 0.92% |
| 15 | Kingston Properties Pty Limited | 1,122,294 | 0.62% |
| 16 | Alison Watts Investments Pty Ltd | 1,020,883 | 0.57% |
| 17 | BT Portfolio Services Limited | 940,791 | 0.52% |
| 18 | BNP Paribas Noms (NZ) Ltd | 843,847 | 0.47% |
| 19 | Toonpaint Pty Limited | 837,176 | 0.47% |
| 20 | Bond Street Custodians Ltd | 773,500 | 0.43% |
| **Total** | | **123,562,529** | **68.67%** |

### (d) Securities subject to voluntary escrow provisions

**Ordinary Voting Shares**

| Date escrow ends | Number of securities | Date escrow ends | Number of securities |
|---|---|---|---|
| 30 September 2010 | 139,446 | 30 November 2010 | 51,605 |

**Ordinary Non-Voting Shares**

| Date escrow ends | Number of securities | Date escrow ends | Number of securities |
|---|---|---|---|
| 1 April 2010 | 332,305 | 29 December 2015 | 285,396 |
| 31 October 2010 | 18,000 | 1 February 2016 | 191,657 |
| 1 April 2011 | 332,308 | 1 April 2016 | 558,219 |
| 31 October 2011 | 18,000 | 1 July 2016 | 183,753 |
| 1 April 2013 | 497,638 | 8 July 2016 | 159,017 |
| 31 October 2013 | 27,000 | 11 December 2016 | 285,811 |
| 8 January 2014 | 106,011 | 1 June 2017 | 123,492 |
| 8 January 2015 | 106,011 | 1 September 2017 | 167,158 |
| 1 September 2015 | 85,673 | 28 September 2017 | 365,123 |
| 30 September 2015 | 49,595 | 1 January 2018 | 459,389 |

Shares shown above held in escrow past the due date remain in escrow until contracted conditions for release are fulfilled or until the shares are bought back and cancelled.

# Corporate Information

ABN 21 098 890 816

**DIRECTORS**

| | |
|---|---|
| Mr Shane Tanner | Non-Executive Director – Chairman |
| Mr Iain Kirkwood | Non-Executive Director |
| Ms Zita Peach | Non-Executive Director |
| Mr Garry Sladden | Non-Executive Director |
| Dr Tim Roberts | Medical Director |
| Dr Joseph Reich | Executive Director |
| Dr Michael Lawless | Executive Director |



**COMPANY SECRETARIES**

Ms Anne McGrath
Ms Karen Lopreiato

**REGISTERED OFFICE**

Level 5, 390 St Kilda Road
Melbourne VIC 3004

**SHARE REGISTRY**

Link Market Services Pty Ltd
Level 4, 333 Collins Street
Melbourne, VIC 3000

Vision Eye Institute Limited shares are listed
on the Australian Securities Exchange (ASX: VEI).

**AUDITOR**

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne, VIC 3000

**WEBSITE**

www.visioneyeinstitute.com.au

**www.colliercreative.com.au** #VIS0006