Pearl Healthcare Limited

Annual Report

Year Ended 30th June 2010

Buckley Hutton	Canberra Dental	Majestic	Park Street	Pearl SA	Pearl WA	Precision	Smiles
Collingwood VIC	ACT	Croydon VIC	Sydney	Adelaide	Perth	Brisbane	Hampton VIC

PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES
ABN 58 009 259 189

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

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Letter from the Executive Chairman

Dear Shareholder

I invite you to join me in a review of our company's achievements over the past year as part of our ninth Annual Report.

Our company has emerged from the global financial crisis in a strong financial position as a result of the hard work of our employees and the continuing support from our customers. We have achieved a return to profitability reflecting an emphasis on tight cost control and have made significant investments in the latest equipment and technology to ensure we remain the leading dental laboratory group in Australia.

Financial Results

Key results for the year ended 30 June 2010 compared to the previous year are:

- Total Revenue steady at $14 million , but up 7% on a continuing laboratory basis.
- Gross Margin also steady at $4.8 million, equivalent to 34.4% of Revenue.
- EBITDA up 76% to $900,675
- Profit after tax up 124% to $124,625
- Operating cash flow up 368% to $879,656

Solid foundations are now in place to achieve strong revenue growth which, with a continuing emphasis on cost control, should result in further significant profit growth.

Operational review

The excellent full year 2010 results are due to tight control of costs both at Head office and Laboratory level. The board and Head office management have strongly supported organic growth strategies successfully implemented by our laboratory managers. Our company made no acquisitions during the year. Our most recent acquisition, a prosthetist practice in Sydney purchased in Mid 2009 is performing well. Our Gawler laboratory was expanded and successfully relocated during the year and enjoys significant support from our very competent Adelaide team.

Revenue from our largest product group, prosthetics only grew by a modest 4% during the year. However our largest prosthetics laboratory in Adelaide achieved significant revenue growth in other product groups. Crown and bridge revenue declined during the year as a result of the sale of our Newcastle laboratory which specialised in these products. On a continuing laboratory basis, crown and bridge revenue grew by a pleasing 8% during the year. Our chrome laboratories have had a strong year, achieving an 11% revenue growth during the year. To consolidate these revenue gains, a sizeable investment has been made in a digital design and printing system for our Sydney laboratory which resulted from an international review of available technologies during the year. Orthodontics revenue remained steady.

Our most significant cost remains the wages paid to our employees. To ensure our company remains competitive despite increasing competition from offshore laboratories, we will continue to invest in technology and our employees to ensure that our clients have access to quality products at competitive prices backed by strong local technical support. Further investments in technology should ensure that our company will remain a preferred supplier to our clients and our company remains a preferred employer. Our laboratory management system "Labtrac" is acknowledged as the best available and the information provided will mean that our laboratories will continue to be run efficiently.

Outlook

Our future strategy will concentrate on achieving greater organic revenue growth in each of our laboratories, particularly the larger locations where revenue growth has even greater impact on gross margin outcomes. Although our company remains the largest national laboratory group and the only publicly listed one, our market share in the total market is small and growth opportunities are numerous, both in obtaining new clients and selling a greater product range or more products to our existing valued clients. Future acquisitions, if any, are likely to be small and strategic. Our strong cash flows allow us to invest in internationally recognised technologies and to further strengthen our financial position. We are confident that our company should achieve increasing profitability over coming years. We believe that our national network of laboratories in Melbourne, Adelaide, Sydney, Brisbane, Perth and Canberra will prove to be an increasingly valuable asset.

On behalf of the board and management, I note our appreciation for the loyalty shown by our shareholders, customers and hard working employees.

Greg Plummer
Executive Chairman

PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES
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Directors' report for the year ended 30 June 2010

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Directors' report for the year ended 30 June 2010

Your directors present their report on the Company and its controlled entities for the year ended 30 June 2010.

1. Directors

The names of the directors of the Company in office for the entire year and until the date of this report are names below:

Name	*Experience, special responsibilities and other directorships*
Greg Plummer B.Ec, ACA,AFSIA Executive Chairman	Mr Plummer has over 25 years of experience in the financial services industry, largely with the accounting profession. His investment company, Jetan Pty Ltd, is a substantial shareholder in the Company. Mr Plummer was appointed Executive Chairman on 1 August 2008. **Interest in shares and options** 5,820,929 ordinary shares in Pearl Healthcare Limited
Peter Stirling B.Ec Non-Executive Director	Mr Stirling is the founder of Hallmark Editions, a publishing and multi-media company. Mr Stirling resigned in June 2010 as the Managing Director of Commstrat Limited, an ASX listed public company which acquired Hallmark Editions. Mr Stirling was appointed as a Non-Executive Director on 21 August 2008 and is a substantial shareholder. **Interest in shares and options** 3,167,910 ordinary shares in Pearl Healthcare Limited
Paul Niederer B.Com (Otago) Non-Executive Director	Mr Niederer has over 30 years experience in organisational management and market development in Australia, Europe, Middle East and Asia. Mr Niederer was appointed as a Non-Executive Director on 1 October 2008, and previously held the role of Executive Director. Mr Niederer is currently the Chief Executive Officer of the Australian Small Scale Offerings Board **Interest in shares and options** 20,000 ordinary shares in Pearl Healthcare Limited
Ian Neal B. Com Non-Executive Director	Mr Neal is a principal of Management Abroad and consults on business strategy and implementation from a perspective of maximising shareholder value. Mr Neal is a Chairman for The Executive Connection, was a co-founder and Managing Director of Nanyang Ventures, a life member of the Financial Services Institute of Australia and a past National President of the former Securities Institute of Australia. Mr Neal is currently a director of the following ASX listed public companies: Prime Media Group, Dyesol and Intrapower. Mr Neal was appointed as a Non-Executive Director on 20 October 2008.

2. Company Secretary

Mr Charles Furness is a Fellow of the Chartered Institute of Secretaries, a Member of the Australian Society of Certified Practicing Accountants and has a Bachelor of Business in Accountancy. He is the company secretary of a number of listed and unlisted companies.

3. Principal activities

The principal activities of the consolidated entity during the course of the financial year were the management of dental laboratory businesses.

Directors' report for the year ended 30 June 2010

4. Operating review

Environmental regulation

The consolidated entity is not subject to any significant environmental regulations under a law of the Commonwealth State or Territory.

Health and Safety

The Company has implemented and is maintaining its occupational health and safety plan which includes the recording of workplace safety incidents and sick leave activity. Regular reports are made to the Board on such issues.

5. Directors' meetings

The number of directors' meeting and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	Held	Attended
Greg Plummer	11	11
Peter Stirling	11	10
Paul Niederer	11	11
Ian Neal	11	11

Separate Audit and Compliance Committee Meetings and Remuneration Committee Meetings are not held. Issues relevant to Audit and Compliance and Remuneration are discussed at general Board meetings.

6. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

6.1 Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

The Board is responsible for Pearl Healthcare Ltd ("the Company") and its controlled entities including:

- Setting and monitoring of objectives, goals and strategic direction for management with a view to maximising shareholder wealth;
- Reviewing and approving annual budgets and the monitoring of financial performance;
- Reviewing major capital expenditure, acquisitions, divestments and funding;
- Assessing the remuneration framework for the Company and assessing the performance of and compensation for all senior executives;
- Ensuring management and staff succession plans are in place;
- Ensuring that risk management practices are in place to protect shareholder value;
- Overseeing compliance with regulatory and statutory obligations including the continuous disclosure of information to ensure that the investment community and shareholders have available all information they reasonably require to make an informed assessment of the Company's prospects; and
- Monitoring the effective and responsible conduct of the business.

Details of the board's charter are located on the Company's website (www.pearlhealthcare.com.au)

Directors' report for the year ended 30 June 2010

6.1 Board of Directors (Continued)

Board processes

The Board has combined a number of Board Committees including the Remuneration Committee and Audit and Compliance Committee with the regular Board meetings to streamline board procedures.

The Board holds meetings regularly throughout the year, plus strategy meetings and other meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Directors and Senior management. Standing items include reports from senior management, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

Composition of the Board

At the date of this report, the Board comprises three Non-Executive Directors and one Executive Director.

Pearl Healthcare Limited's Constitution provides that the minimum number of Directors shall be three.

At least one-third of the Directors, excluding the Executive Director, must retire from office at the Annual General Meeting each year. Such retiring Directors are available for re-election.

The Directors should bring characteristics to the Board which will provide a mix of qualifications, skills and experience. When a vacancy exists or when it is considered that the Board would benefit from the services of a new Director with particular skills, the Board selects one or more candidates with the appropriate expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Independent professional advice and access to Company information

Each director has the right to access all relevant Company information and Company executives and, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified adviser at Pearl's expense. A copy of advice received by the director is made available to all other members of the Board.

6.2 Remuneration

The functions of the Remuneration Committee are combined with those of the main board. The boards' responsibility in relation to remuneration is to review on an on-going basis the remuneration of senior management and Directors. This review role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits where applicable. All members of senior management can earn additional cash bonus payments based on outperformance of their areas of responsibility. There are no share of option schemes currently operating for staff or Directors.

Further information on directors and executive's remuneration is set out in 6.3.2 of the Directors' Reports.

The Boards Remuneration Charter is available on the Company's website.

6.3 Remuneration Report (audited)

6.3.1 Principles of compensation

Remuneration of directors and executives is referred to as compensation as defined in Australian Accounting Standards AASB 124.
Key management personnel have authority and responsibility for planning, directing and controlling the activities of Pearl. Key management personnel include the Chief Financial Officer and executive directors of the Company and the consolidated entity.

Compensation levels for key management personnel of the Company and consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The board may obtain independent advice on the appropriateness of compensation packages given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy when required.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the Company's performance;
- the consolidated entity's performance; and
- Pearl's overall incentives scheme applicable to each key management personnel's compensation.

Compensation packages include a mix of fixed and variable remuneration and short term performance-based incentives where applicable.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.
Compensation levels are reviewed annually by the Board through a process that considers individual, laboratory and overall performance of the consolidated entity. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place when required. A senior executive's compensation is also reviewed on promotion.

Performance-linked remuneration

Performance linked compensation includes short term incentives designed to reward the key management personnel for meeting or exceeding their financial objectives. The incentive is an "at risk" bonus provided in the form of cash.

Incentive bonuses

The Board sets the key performance indicators (KPI's) for the key management personnel. The KPI's generally include measures relating to the consolidated entity, the relevant laboratory, and the individual. The measures are chosen as they directly align the individual's reward to the KPI's of the consolidated entity and to its strategy and performance.

The financial performance objectives typically include one or more of the following, "revenue", "EBITDA" and "profit before tax" compared to budgeted amounts.

The Board regularly assess the actual performance of the consolidated entity, each laboratory or function and individual against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum amount is awarded depending on results. No bonus is awarded where performance falls below the minimum.

Employment Agreements

Pearl's policy is that service contracts for key management personnel are unlimited in term but capable of termination (generally four weeks for senior executives) and that the consolidated entity retains the right to terminate the contract immediately, by paying compensation equal to their notice period.

All staff are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The employment contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive, market conditions and any changes required to meet the principles of the compensation policy.

Directors' report for the year ended 30 June 2010

6.3 Remuneration Report (Continued)

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The method applied to achieve this aim is a performance-based bonus on key performance indicators.
The key performance indicators (KPIs) are set annually after consultation with the key management to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPI's target areas the board believe hold greater potential for the groups expansion and profit.
Performance in relation to the KPI's are assessed annually.

Non-executive directors

Total compensation for all non-executive directors are set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Total non-executive Directors' base fees are presently capped at $200,000 per annum and have not been increased since Pearl listed on the ASX. Actual amounts paid are detailed in the Remuneration report but are significantly less than the cap.

The Chairperson receives up to twice the base fee. Non-executive directors do not receive performance related compensation. Directors' fees cover all board activities.

6.3.2 Directors' and executive officers' remuneration

		Salary & fees	Superannuation benefits	Total	Proportion of remuneration performance related
Directors					
Executive					
Greg Plummer (Executive Chairperson)	2010	-	53,988	53,988	-
	2009	-	53,988	53,988	-
Non-executive					
Paul Niederer	2010	29,718	2,675	32,393	-
	2009	72,922	5,452	78,374	-
Louis Niederer	2010	-	-	-	-
	2009	4,572	411	4,983	-
Ian Neal	2010	32,393	-	32,393	-
	2009	24,294	-	24,294	-
Peter Stirling	2010	29,718	2,675	32,393	-
	2009	21,145	1,440	22,585	-
Total, all directors	2010	91,829	59,338	151,167	-
	2009	122,933	61,291	184,224	-
Executive officers (excluding directors)					
Consolidated					
Timothy Rumbold (i)	2010	150,001	13,050	163,051	5,000
	2009	134,386	12,095	146,481	-
Doug Surmon (ii)	2010	-	-	-	-
	2009	146,277	13,165	159,442	-
Peter Newman (iii)	2010	129,999	11,700	141,699	-
	2009	10,000	900	10,900	-
Charles Furness	2010	4,147	-	4,147	-
	2009	4,474	-	4,474	-
Total compensation: key management personnel	2010	375,976	84,088	460,064	-
	2009	418,070	87,451	505,521	-

(i) Performance payment granted 4th December 2009
(ii) Doug Surmon ceased employment as the Chief Operations Officer on 8th April 2009
(iii) Peter Newman commenced employment as the National Technical Manager on 11th May 2009

The company pays insurance premiums that cover all directors and officers.

Directors' report for the year ended 30 June 2010

6.3.3 Options

No options were granted during the year and there were none outstanding at balance date.
No shares were issued during the year on the exercise of options and there are no unlisted ordinary shares under option.

6.4 Audit and Compliance obligations

The functions of the Audit and Compliance Committee are combined with those of the main board. The Board takes direct responsibility for the following areas:

- To ensure the company discharges its responsibilities that relate to financial reporting policies and practices, accounting policies and management and internal controls;
- To provide through regular meetings a forum for communication between the Board, senior financial management and external
- To enhance the credibility and objectivity of the Company's financial reports;
- Reviewing the financial report and other financial information distributed externally;
- Monitoring corporate risk assessment processes;
- Reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Reviewing external audit reports to ensure that where major deficiencies or breakdown in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Review the nomination and performance of the auditor;
- Considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence;
- Liaising with the external auditors and ensuring that the annual and half-year statutory audits are conducted in an effective manner;
- Monitoring the establishment of an appropriate internal control framework and considering enhancements; and
- Monitoring the establishment of appropriate ethical standards.

The responsibilities of the Board include monitoring compliance with requirements of the Corporations Act 2001, ASX Listing Rules, the Australian Securities & Investments Commission, taxation legislation and other laws as they apply to the subject matter of the Audit Committee's functions (for example internal accounting, external auditing, financial reporting and taxation compliance).

The Board for the 2010 financial reporting period met with the external auditor twice. The external auditors were also provided with the opportunity at their request to meet with the Board of Directors without management being present.

The external auditors and Chief Financial Officer are invited to Board meetings at the discretion of the Board. The Audit charter is available on the Company's website.

6.5 Compliance with ASX Corporate Governance Council recommendations

Pearl is in compliance with these recommendations with the following exceptions:

- The Chairman and Peter Stirling are not independent persons due to their substantial shareholdings. The Chairman also holds an executive role in the Company.

- The functions of the Remuneration and Audit Compliance Committees are now conducted by the main board, thus ensuring that all board members are involved in all significant remuneration and audit issues.

- Pearl does not have a separate Nominations Committee or Risk Management Committee.

Directors' report for the year ended 30 June 2010

6.6 Risk management

Internal control framework

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under the following headings:

- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The actual revenues and cash collected are also reported weekly against budget. The consolidated entity reports are provided to shareholders half-yearly and cash flow statements are also provided quarterly.

- Continuous disclosure - the consolidated entity has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporation Act 2001 and ASX Listing Rules.

In addition:

- a comprehensive process is in place to identify matters that may have a material effect on the price of the Company's securities;

- the Executive Chairman and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board; and

- the Company Secretary is responsible for all communications with the ASX.

Corporate compliance and risk identification and management

The Board relies on the advice and expertise of senior management acting in consultation with the Company's external advisors in relation to identifying areas of significant business risk and putting in place arrangements to manage such risk. Where appropriate, the Board obtains advice directly from external advisors. The Board has not considered it appropriate to appoint a separate Corporate Governance Committee and responsibility for developing and monitoring corporate governance policies and practices in areas outside the scope of the functions of the Audit Committee is retained and exercised directly at Board level.

The Chief Financial Officer and the Executive Chairman have declared, in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly. Directors receive weekly sales and cash receipts reports.

Directors' report for the year ended 30 June 2010

6.7 Ethical standards

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest. Where the Board believes that a significant conflict exists the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related transactions with the Company and consolidated entity are set out in note 31 to the financial statements.

Directors dealings in Company shares

The Constitution permits directors to acquire shares in the Company. Company policy prohibits directors and senior management from dealing in Company shares or exercising options whilst in possession of price sensitive information.
During a period of 30 days following the release of the half yearly and annual financial results and during a thirty day period following the annual general meeting of the Company, Directors may purchase and sell securities in the Company. Otherwise Directors must obtain the approval of the Chairperson of the Board and notify the Company Secretary before they sell or buy shares in the Company. This is reported to the Board and is subject to Board veto. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange("ASX"), Directors advise the "ASX" of any transactions conducted by them in shares in the Company.

6.8 Communication with shareholders

Continuous disclosure and shareholder communication
The Company Secretary has been nominated as the person responsible for communications with the "ASX". The role includes responsibility for ensuring compliance with the continuous disclosure requirements detailed in the ASX listing rules and overseeing and co-coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.
The Company has written policies and procedures on disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.
All information disclosed to the ASX is posted on the Company's web site as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.
All shareholders are offered the option of receiving a copy of the Company's annual report by mail or receiving advice from the Company when it becomes available on the Company's website. In addition, the Company seeks to provide opportunities for shareholders to receive information through electronic means. All recent Company announcements and other relevant material are available on the Company's website www.pearlhealthcare.com.au.
The website also includes a feedback mechanism and an option for shareholders to register their email address for direct email updates of Company matters.

The role of shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- a full financial report is distributed to all the shareholders on request. Shareholders have been offered the choice of receiving either electronic or printed copies of the annual report. The annual report can also be accessed on the Company's website. The Board ensures that the full financial report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;

- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year review financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the "ASX". The financial report is sent to any shareholder on request;

- quarterly cash flow reports are prepared and lodged with the "ASX". The quarterly cash flow reports are prepared in accordance with the requirements of applicable accounting standards, the Corporations Act 2001 and "ASX" listing rules.

6.8 Communication with shareholders (continued)

- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders; and

- notices of all meetings of shareholders.

The Company has also developed a website, which it uses as an important form of communication with shareholders. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

7. Dividends

No dividends were paid or declared by the Company to members since the end of the previous financial year (2009: Nil).

8. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

9. Likely developments

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years other than information disclosed elsewhere in this report had not been included in this report because disclosure of the information would likely result in unreasonable prejudice to the consolidated entity.

10. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify all the current and former directors and officers of the Company and its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.
The Company has not entered into any agreement to indemnify its auditors against any claims that may be made by third parties arising from their report on the annual financial report.

Insurance premiums

Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors' and officers' liability insurance for current and former directors and officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome;

- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

11. Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the Corporation Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

12. Non-audit services

During the year Grant Thornton, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 and the Corporations Act, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2010	**2009**
	$	**$**
Audit and review of the financial reports	54,703	56,030
Taxation Services	12,100	10,061
	66,803	66,091

13. Lead auditor's independence declaration

The Lead auditor's independence declaration in accordance with section 307c of the Corporations Act is set out on page 49 and forms part of the directors' report for the financial year ended 30 June 2010.

This report is made with a resolution of the directors:

Greg Plummer
Director

Dated at Sydney this 25th day of August 2010

PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES
ABN 58 009 259 189

Consolidated Statements of Financial Position as at 30 June 2010

		Consolidated		The Company	
	Note	2010	2009	2010	2009
		$	$	$	$
Current assets					
Cash and cash equivalents	13	299,641	376,017	-	-
Receivables	14	1,500,143	1,540,358	-	-
Inventories	15	649,600	593,463	-	-
Total current assets		2,449,384	2,509,838	-	-
Non-current assets					
Receivables	14	-	-	1,935,905	2,391,678
Property, plant & equipment	18	1,675,076	1,752,398	-	-
Intangible assets	19	155,638	155,638	-	-
Total non-current assets		1,830,714	1,908,036	1,935,905	2,391,678
Total assets		4,280,098	4,417,874	1,935,905	2,391,678
Current liabilities					
Trade and other payables	20	1,137,463	936,845	-	-
Financial liabilities	21	288,326	747,373	195,537	669,310
Employee benefits	22	850,057	784,722	-	-
Total current liabilities		2,275,846	2,468,940	195,537	669,310
Non-current liabilities					
Trade and other payables	20	30,547	63,871	-	-
Financial liabilities	21	1,553,799	1,574,928	1,514,919	1,514,919
Employee benefits	22	69,832	102,686	-	-
Total non-current liabilities		1,654,178	1,741,485	1,514,919	1,514,919
Total liabilities		3,930,024	4,210,425	1,710,456	2,184,229
Net assets		350,074	207,449	225,449	207,449
Equity					
Issued capital	23	28,363,268	28,345,268	28,363,268	28,345,268
Accumulated losses		(28,013,194)	(28,137,819)	(28,137,819)	(28,137,819)
Total equity		350,074	207,449	225,449	207,449

The consolidated statements of financial position is to be read in conjunction with the notes of the financial statements set out on pages 18 to 46.

Consolidated Statements of Comprehensive Income for the year ended 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
Revenue	5	14,033,610	14,008,397	-	-
Cost of sales		(9,199,813)	(9,190,557)	-	-
Gross profit		4,833,797	4,817,840	-	-
Office administration		(1,128,304)	(1,219,484)	-	-
Staff expenditure		(2,053,375)	(2,116,504)	-	-
Technical		(180,852)	(187,021)	-	-
Financial/legal		(158,011)	(215,222)	-	-
Marketing/travel/corporate		(174,266)	(300,115)	-	-
Write-down in carrying value of receivables	6,14	-	-	-	(509,463)
Depreciation	6	(563,861)	(719,128)	-	-
Other overhead		(104,553)	(140,923)	-	-
Result from operating activities		470,575	(80,557)	-	(509,463)
Financial income	5,9	4,571	6,881	-	-
Financial costs	9	(350,521)	(435,787)	-	-
Net financing costs		(345,950)	(428,906)	-	-
Profit/(losses) before tax		124,625	(509,463)	-	(509,463)
Income tax benefit/(expense)	10	-	-	-	-
Profit/ (loss) for the year		124,625	(509,463)	-	(509,463)
Total comprehensive income attributable to members of the parent entity		124,625	(509,463)	-	(509,463)

Earnings per share for profit attributable to the ordinary equity holders of the company:

	Note	2010	2009
Basic earnings/(loss) per share from continuing operations	11	$ 0.01	($0.05)
Diluted earnings/(loss) per share from continuing operations	11	$ 0.01	($0.05)

The consolidated statements of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 18 to 46.

Consolidated Statements of Changes in Equity for the year ended 30 June 2010

	Share capital	Accumulated losses	Total equity
	$	$	$
Consolidated			
Balance at 1 July 2009	28,345,268	(28,137,819)	207,449
Total recognised income and expense	-	124,625	124,625
Issued shares (net of costs)	18,000	-	18,000
Balance at 30 June 2010	28,363,268	(28,013,194)	350,074
Balance at 1 July 2008	27,078,830	(27,628,356)	(549,526)
Total recognised income and expense	-	(509,463)	(509,463)
Issued shares (net of costs)	1,266,438	-	1,266,438
Balance at 30 June 2009	28,345,268	(28,137,819)	207,449
The Company			
Balance at 1 July 2009	28,345,268	(28,137,819)	207,449
Total recognised income and expense	-	-	-
Issued shares (net of costs)	18,000	-	18,000
Balance at 30 June 2010	28,363,268	(28,137,819)	225,449
Balance at 1 July 2008	27,078,830	(27,628,356)	(549,526)
Total recognised income and expense	-	(509,463)	(509,463)
Issued shares (net of costs)	1,266,438	-	1,266,438
Balance at 30 June 2009	28,345,268	(28,137,819)	207,449

The consolidated statements of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 18 to 46.

PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES
ABN 58 009 259 189

Consolidated Statements of Cash flows for the year ended 30 June 2010

	Note	Consolidated 2,010 $	2009 $	The Company 2010 $	2009 $
Cash flows from operating activities					
Receipts from customers		14,343,871	14,285,919	-	-
Payments to suppliers and employees		(13,255,122)	(13,803,154)	-	-
Interest received		4,571	6,881	-	-
Borrowing costs		(213,664)	(301,694)	-	-
Net cash provided by operating activities	30	879,656	187,952	-	-
Cash flows from investing activities					
Acquisition of property, plant and equipment		(493,856)	(198,264)	-	-
Acquisition of business assets	30	-	(192,805)	-	-
Net cash used in investing activities		(493,856)	(391,069)	-	-
Cash flows from financing activities					
Proceeds from the issue of shares and options		18,000	1,266,438	-	-
Repayment of Shareholder loans		-	(762,081)	-	-
Repayment of Finance leases		(6,403)	(55,234)	-	-
Repayment of bank loans		(473,773)	(327,490)	-	-
Net cash provided by/(used in) financing activities		(462,176)	121,633	-	-
Net decrease in cash and cash equivalents		(76,376)	(81,484)	-	-
Cash and cash equivalents at 1 July 2009		376,017	457,501	-	-
Cash and cash equivalents at 30 June 2010	13	299,641	376,017	-	-

The consolidated statements of cash flows is to be read in conjunction with the notes of the financial statements set out on pages 18 to 46.

Notes to the consolidated financial statements for the year ended 30 June 2010

1. Reporting Entity

Corporate information

The financial report of Pearl Healthcare Limited (the Company) and its subsidiaries (together referred to as the "consolidated entity") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 25th August 2010.

Pearl Healthcare Limited is a public company listed on the Australian Stock Exchange (trading under the symbol 'PHL'), incorporated in Australia

Pearl Healthcare Limited's registered office and its principal place of business is as follows:

Suite 7
13 - 25 Church Street
Hawthorn
Victoria 3122

Telephone: +61 3 9853 1700
Facsimile: +61 3 9853 1733

The nature of the operations and principal activities of the Group are described in the directors' report.

2. Significant accounting policies

Pearl Healthcare Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity').

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Notes to the consolidated financial statements for the year ended 30 June 2010

(a) Going concern

As at 30 June 2010 the group recorded a net profit of $124,625 and a net cash inflow from operating activities of $879,656 for the year. The Group had positive net assets of $350,074 and positive net tangible assets of $194,439 at 30 June 2010. The directors have obtained a letter of comfort from Jetan Pty Ltd confirming that Jetan does not consider the company to be in breach of any of the terms of the loan Pearl Healthcare has with Jetan Pty Ltd. The details of this loan are outlined in note 31. The directors of the company have prepared the consolidated financial report on a going concern basis.

(b) Statement of Compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* the Australian Accounting Standards including Australian Accounting interpretations and International Financial Reporting Standards. The financial report has also been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated. The company has adopted ASIC class order 10/654 which provides the company relief from excluding parent entity financial statements.

Critical accounting estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 2(c).

(c) New accounting standards and Australian Accounting Interpretations

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Pearl Healthcare Limited.

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009.

Recognition and measurement impact

Recognition of acquisition costs — The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

Measurement of contingent considerations — The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

Measurement of non-controlling interest — For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (the full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

Recognition of contingencies — The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

Business combinations achieved in stages — The revised AASB 3 requires that where a business combination is achieved in stages, any previously held equity interest is to be remeasured to fair value and the resulting gain or loss, being the difference between fair value and historical cost, is to be recognised in the statement of comprehensive income. The previous version of AASB 3 accounted for each exchange transaction separately, using cost and fair value information at the date of each exchange to determine the amount of any goodwill associated with the acquisition. It was therefore possible to compare the cost of each individual investment with the fair value of identifiable net assets acquired at each step.

Disclosure impact

The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

Notes to the consolidated financial statements for the year ended 30 June 2010

(c) New accounting standards and Australian Accounting Interpretations (continued)

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board Issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units of the entity.

Identification and measurement of segments - AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance.

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

•AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

— simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
— simplifying the requirements for embedded derivatives;
— removing the tainting rules associated with held-to-maturity assets;
— removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
— allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
— reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
a. the objective of the entity's business model for managing the financial assets; and
b. the characteristics of the contractual cash flows.

•AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

This standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

•AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

Notes to the consolidated financial statements for the year ended 30 June 2010

(c) New accounting standards and Australian Accounting Interpretations (continued)

•AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

•AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

•AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

•AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

•AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

•AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

(e) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Consolidated entity's functional and presentation currency.

Notes to the consolidated financial statements for the year ended 30 June 2010

(f) Revenue

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.

Sale of goods

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

Interest revenue

Revenue is recognised as it accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the 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.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the Australian Taxation Office ("ATO") is included as a current asset or liability in the Statement of Financial Position.

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

(h) Foreign currency transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

(i) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are netted off against the relevant borrowings and amortised over their life.

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 balance date.

(j) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).
Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.
Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.
Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.
Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.
Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.
Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.
Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

Pearl Healthcare Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the ‘stand-alone taxpayer’ approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2009. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group’s taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(k) Property, plant and equipment

Plant and equipment are measured on the cost basis.

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

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

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses. See accounting policy (2v).

Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Notes to the consolidated financial statements for the year ended 30 June 2010

(k) Property, plant and equipment (continued)

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

	Expected Useful Life
Office equipment	10 years
Computer hardware	3 years
Motor vehicles	5 years
Laboratory equipment	4 - 10 years
Leasehold improvements	Term of lease

(l) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectable amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

(m) Inventories

Raw materials, work in progress and finished goods

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(n) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;

b. less principal repayments;

c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

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

Notes to the consolidated financial statements for the year ended 30 June 2010

(o) Expenses

Operating lease payments
Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest method and interest receivable on funds invested, that are recognised in the statement of comprehensive income (see accounting policy f). Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

(p) Trade and other payables

Trade and other payables are stated at amortised cost. 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 60 days of recognition.

(q) Intangible assets

Goodwill
Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:
(i) the consideration transferred;
(ii) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). The Group determines which method to adopt for each acquisition.
Under the full goodwill method, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.
Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.
Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.
Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Notes to the consolidated financial statements for the year ended 30 June 2010

(r) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Superannuation

The amount charged to the statement of comprehensive income in respect of superannuation represents the contributions made by the consolidated entity to various superannuation funds. The consolidated entity does not contribute to a defined benefit superannuation plan.

Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(s) Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(t) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(u) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit/loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the consolidated financial statements for the year ended 30 June 2010

(v) Impairment of non-financial assets

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy m) and deferred tax assets (see accounting policy j), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement if comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount for inter-company loans is calculated based on the net asset position of the subsidiary where there is objective evidence of impairment.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements for the year ended 30 June 2010

(w) Lease liabilities

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised as an expense in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

(x) Share capital

Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(y) Segment reporting

A segment is a distinguishable component of the consolidated entity that is identified by using the management approach. This approach identifies segments based on internal reports regularly reviewed by the entities chief operating decision maker in assessing performance and allocating resources

(z) Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation of the current financial year.

Notes to the consolidated financial statements for the year ended 30 June 2010

3 Financial risk management objectives and policies

The Group's principal financial instruments comprise shareholders loans, debtor finance, finance leases and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 2 and 4 to the financial statements.

Cash flow interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

Fair value interest rate risk
As the Group holds floating rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of floating rate debt is disclosed in Note 24 and it is acknowledged that this risk is a by-product of the Group's attempt to manage its cash flow interest rate risk.

Foreign currency risk
The Group is not exposed to any material foreign currency risk.

Credit risk
The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised credit worthy third parties, there is no requirement for collateral.

Liquidity risk
The Group's objective is to maintain a balance between working capital requirements and long term funding through the use of debtor financing, finance leases and shareholder loans.

Notes to the consolidated financial statements for the year ended 30 June 2010

4 Significant accounting judgments, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined as follows:

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the asset will be realised

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

(ii) Significant accounting estimates and assumptions

Long service leave provision

As discussed in note 2(r), the liability for long service leave is recognised and measured at the present value of the estimated future cashflows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. This assessment is based on supportable past collection history and historical write-offs of bad debts.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 6.

(iii) Key sources of estimation uncertainty

Impairment of goodwill and intangibles with indefinite useful lives

The consolidated entity assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually in accordance with the accounting policy in note 2(v). These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

Notes to the consolidated financial statements for the year ended 30 June 2010

		Note	Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
5	**Revenue**					
	Sale of goods		13,966,705	13,959,495	-	-
	Interest Income		4,571	6,881	-	-
	Other		66,905	48,902	-	-
	Total revenue		14,038,181	14,015,278	-	-
	Sale of goods are made up of the following product groups					
	Crown & Bridge		4,124,769	4,604,034	-	-
	Chrome		2,749,971	2,466,651	-	-
	Prosthetics		5,465,423	5,249,233	-	-
	Orthodontics		1,541,076	1,558,781	-	-
	Other		85,466	80,796	-	-
			13,966,705	13,959,495	-	-
6	**Expenses**					
	Depreciation, amortisation and impairment					
	Depreciation		563,861	719,128	-	-
	Impairment loss on receivables		-	-	-	509,463
			563,861	719,128	-	509,463

7 Auditors' remuneration

During the year the auditor of the Company and its related entities earned the following remuneration:

	Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
Audit and review of the financial reports	54,703	56,030	-	-
Taxation services	12,100	10,061	-	-
	66,803	66,091	-	-

		Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
8	**Personnel Costs**				
	Wages and salaries expense	6,672,475	6,926,054	-	-
	Termination payments	90,584	122,900	-	-
	Superannuation expense	606,827	616,528	-	-
	Increase/(decrease) in employee provisions	32,481	(2,124)	-	-
		7,402,367	7,663,358	-	-
9	**Net financing costs**				
	Interest income	(4,571)	(6,881)	-	-
	Interest and related expenses				
	Shareholder loans	149,722	188,942	-	-
	Debtor financing	45,337	94,390	-	-
	Finance lease charges	17,130	13,691	-	-
	Bank fees	136,689	134,093	-	-
	Other	1,643	4,671	-	-
		350,521	435,787	-	-
	Net financing costs	345,950	428,906	-	-

Notes to the consolidated financial statements for the year ended 30 June 2010

	Consolidated		The Company	
	2010	**2009**	**2010**	**2009**
10 Income tax expense	**$**	**$**	**$**	**$**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable/(benefit) on profit/(loss) from ordinary activities before income tax at 30% (2009: 30%)	37,388	(152,839)	-	(152,839)
Add: Tax effect of:				
Non-deductible expenses	222	120	-	152,839
Current year tax losses not brought to account	-	55,048	-	-
Current year temporary differences not brought to account	9,961	97,671	-	-
Recoupment of prior year tax losses not previously brought to account	(47,571)	-	-	-
Income tax expense	-	-	-	-

11 Earnings per share

	Consolidated	
	2010	**2009**
	$	**$**
Earnings reconciliation		
Net profit/(loss)	124,625	(509,463)
Basic and Diluted profit/(loss) per share	0.01	(0.05)
	2010 Number	**2009 Number**
Weighted average number of shares used as the denominator		
Number for basic and diluted earnings per share - ordinary shares	13,215,780	10,735,592

12 Segment reporting

Business and Geographical segment

During the financial year, the consolidated entity operated in one segment being an operator of dental laboratories. This includes the examination of new business opportunities, the management and consolidation and business enhancement of dental laboratories. The consolidated entity's business segment operates in Australia. Revenue by major product group is disclosed in Note (5). The group has no major customer representing 10% of sales revenue.

	Consolidated		The Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
13 Cash and cash equivalents				
Cash at bank and on hand	278,721	355,097	-	-
Bank short term deposits	20,920	20,920	-	-
	299,641	376,017	-	-

Cash at bank bears floating interest rates currently set a 0.01% to 1.3% per annum.
Short term deposits bear the interest rate of 7.4% per annum.

The short term deposit is with Westpac Banking Corporation. The deposit is held as security by the bank in exchange for a Bank Guarantee provided to a lessor as a term of the lease.

Notes to the consolidated financial statements for the year ended 30 June 2010

14 Receivables		**Consolidated**		**The Company**	
		2010	**2009**	**2010**	**2009**
		$	**$**	**$**	**$**
Current					
Trade Receivables	(i)	1,483,816	1,536,422	-	-
Less: Provision for impairment	(a)	(44,339)	(48,208)	-	-
		1,439,477	1,488,214	-	-
Other trade receivables and prepayments	(ii)	60,666	52,144	-	-
		1,500,143	1,540,358	-	-

Current trade receivables are non-interest bearing and generally on 30-day terms. Trade receivables are assessed for recoverability based on the ageing of the receivable. A provision for impairment is recognised when there is an objective evidence that an individual receivable is impaired. These amounts have been included in other expenses items.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned. The class of assets described as Trade Receivables is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Movement in Provision for impairment

(a)	Opening Balance	(48,208)	(63,466)	-	-
	Amounts written off against provision	8,751	40,988	-	-
	Current year expense	(4,882)	(25,730)	-	-
	Closing Balance	(44,339)	(48,208)	-	-

2010		Gross Amount	< 30 Days	31-60 days	61-90 days	> 90 days
Trade Receivables	(i)	1,483,816	1,176,973	194,780	62,249	49,815
Other trade receivables and prepayments	(ii)	60,666	60,666	-	-	-

2009		Gross Amount	< 30 Days	31-60 days	61-90 days	> 90 days
Trade Receivables	(i)	1,536,422	1,184,186	222,923	78,464	50,849
Other trade receivables and prepayments	(ii)	52,144	52,144	-	-	-

Non-current				
Loans to controlled entities	-	-	23,880,863	24,336,636
Less: Provision for impairment (b)	-	-	(21,944,958)	(21,944,958)
			1,935,905	2,391,678

Movement in Provision for impairment

(b)	Opening Balance	-	-	(21,944,958)	(21,435,495)
	Current year expense	-	-	-	(509,463)
	Closing Balance	-	-	(21,944,958)	(21,944,958)

The loans to controlled entities are unsecured (refer Note 29).

Notes to the consolidated financial statements for the year ended 30 June 2010

	Consolidated		The Company	
	2010	2009	2010	2009
	$	$	$	$
15 Inventories				
Raw materials and stores - at cost	520,034	519,914	-	-
Work in progress - at cost	184,090	128,223	-	-
	704,124	648,137	-	-
Less: Provision for stock obsolescence	(54,524)	(54,674)	-	-
	649,600	593,463	-	-

16 Financial assets

	Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
Investments in controlled entities, at cost	-	-	7,452,886	7,452,886
Less: Provision for impairment	-	-	(7,452,886)	(7,452,886)
	-	-	-	-

A detailed list of the controlled entities are disclosed in note 29. All entities are fully owned subsidiaries of Pearl Healthcare Limited. With the exception of Pearl Dental Pty Ltd, all subsidiaries are dormant. All subsidiaries have had an impairment charge equal to the original booked cost of the investment.

17 Deferred tax assets and liabilities

Recognised tax assets and liabilities

No deferred tax assets or liabilities are recognised on the statement of financial position.

Unrecognised deferred tax assets

	Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
Tax losses	2,911,440	2,959,010	2,911,440	2,959,010
Temporary Differences	337,439	333,127	337,439	333,127

The deductible tax losses do not expire under current tax legislation. In accordance with our accounting policy, deferred tax assets have not been recognised in respect of these items.

18 Property, plant and equipment

	Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
Office equipment, at cost	357,768	355,133	-	53,517
Accumulated depreciation	(244,160)	(212,531)	-	(53,517)
	113,608	142,602	-	-
Computer hardware, at cost	571,836	565,049	-	-
Accumulated depreciation	(550,375)	(527,579)	-	-
	21,461	37,470	-	-
Motor vehicles, at cost	210,234	226,601	-	-
Accumulated depreciation	(142,283)	(141,272)	-	-
	67,951	85,329	-	-
Leasehold improvements, at cost	618,757	597,660	-	-
Accumulated depreciation	(583,466)	(550,845)	-	-
	35,291	46,815	-	-
Laboratory equipment, at cost	3,778,297	3,336,865	-	-
Accumulated depreciation	(2,341,532)	(1,896,683)	-	-
	1,436,765	1,440,182	-	-
Total property, plant and equipment at net book value	1,675,076	1,752,398	-	-

Notes to the consolidated financial statements for the year ended 30 June 2010

18 Property, plant and equipment (continued)	**Consolidated**		**The Company**	
	2010	**2009**	**2010**	**2009**
Reconciliations	**$**	**$**	**$**	**$**

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2010 $	2009 $	2010 $	2009 $
Office equipment				
Carrying amount at beginning of year	142,602	156,372	-	5,626
Additions	2,635	16,341	-	-
Disposals	-	(215)	-	-
Depreciation	(31,628)	(29,896)	-	(5,626)
Carrying amount at end of year	113,609	142,602	-	-
Computer equipment				
Carrying amount at beginning of year	37,470	138,806	-	5
Additions	6,787	11,436	-	-
Depreciation	(22,796)	(112,772)	-	(5)
Carrying amount at end of year	21,461	37,470	-	-
Motor vehicles				
Carrying amount at beginning of year	85,329	116,766	-	-
Additions	21,906	14,610	-	-
Disposals	(7,317)	(6,958)	-	-
Depreciation	(31,966)	(39,089)	-	-
Carrying amount at end of year	67,952	85,329	-	-
Leasehold improvements				
Carrying amount at beginning of year	46,815	155,252	-	-
Additions	21,097	1,596	-	-
Depreciation	(32,621)	(110,033)	-	-
Carrying amount at end of year	35,291	46,815	-	-
Laboratory equipment				
Carrying amount at beginning of year	1,440,182	1,607,324	-	-
Additions	441,431	260,898	-	-
Disposals	-	(702)	-	-
Depreciation	(444,850)	(427,338)	-	-
Carrying amount at end of year	1,436,763	1,440,182	-	-
TOTALS				
Carrying amount at beginning of year	1,752,398	2,174,520	-	5,631
Additions	493,856	304,881	-	-
Disposals	(7,317)	(7,875)	-	-
Depreciation	(563,861)	(719,128)	-	(5,631)
Carrying amount at end of year	1,675,076	1,752,398	-	-

Leased plant and equipment

The consolidated entity leases motor vehicles and laboratory equipment under a number of finance lease agreements. At the end of each of the leases the consolidated entity has the option to purchase the equipment at a beneficial price. At 30 June 2010, the net carrying amount of leased plant and equipment was $177,041 (2009: $192,693). The leased equipment secures lease obligations (see note 21).

Security

At 30 June 2010, plant and equipment with a carrying amount of $1,498,037 (2009: $1,559,363) are subject to a fixed and floating charge to the invoice discounting facility with Bank of Queensland (see note 21).

Notes to the consolidated financial statements for the year ended 30 June 2010

	Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
19 Intangible assets				
Goodwill, at cost	20,856,316	20,856,316	-	-
Accumulated impairment losses	(20,700,678)	(20,700,678)	-	-
	155,638	155,638	-	-
Reconciliation of goodwill at cost				
Opening balance	20,856,316	20,700,678	-	-
Additions arising from acquisitions	-	155,638	-	-
Closing balance	20,856,316	20,856,316	-	-
Reconciliation of amortisation and impairment losses				
Opening balance	20,700,678	20,700,678	-	-
Closing balance	20,700,678	20,700,678	-	-

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income where applicable. Goodwill has an infinite life.

The recoverability of goodwill is determined based on value-in-use calculations. The recoverability was calculated at less than 2 years and therefore a discounting factor has not been used in the calculations.

	Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
20 Trade and other payables				
Current				
Trade creditors	502,639	461,016	-	-
Other creditors and accruals	634,824	475,829	-	-
	1,137,463	936,845	-	-
Non-current				
Other	30,547	63,871	-	-
	30,547	63,871	-	-

Notes to the consolidated financial statements for the year ended 30 June 2010

	Consolidated		The Company	
	2010	2009	2010	2009
	$	$	$	$
21 Financial liabilities				
Current				
Secured				
Invoice discounting facility	195,537	669,310	195,537	669,310
Lease liabilities	92,789	78,063	-	-
	288,326	747,373	195,537	669,310
Non-current				
Secured				
Director related entity loans (refer Note 31)	1,514,919	1,514,919	1,514,919	1,514,919
Lease liabilities	38,880	60,009	-	-
	1,553,799	1,574,928	1,514,919	1,514,919
TOTALS				
Secured	1,842,125	2,322,301	1,710,456	2,184,229
Invoice discounting facility				
Financing facility	1,500,000	1,500,000	1,500,000	1,500,000
Facilities utilised at reporting date	(195,537)	(669,310)	(195,537)	(669,310)
Facilities not utilised at reporting date	1,304,463	830,690	1,304,463	830,690

The invoice discounting facility is with Bank of Queensland. Interest is charged monthly at the Debtor finance rate (currently 10.74%). The above facility is secured by Invoice Discounting Agreements with all trading companies within the Pearl Healthcare Limited consolidated group ("Pearl Group") and First Ranking Deed of Charge over the assets of Pearl Healthcare Ltd and all related trading entities within the Pearl Group, including cross-guarantees from the trading entities.

Finance lease facility
The consolidated entity's lease liabilities are secured by the leased assets of $177,041 (2009: $192,693), as in the event of default, the leased assets revert to the lessor.

Other loans include loans from director related entities, details of which are set out in Note 31.

Notes to the consolidated financial statements for the year ended 30 June 2010

	Consolidated		The Company	
	2010	2009	2010	2009
22 Employee benefits	$	$	$	$
Current				
Balance at the beginning of the year	784,722	469,363	-	-
Provisions made during the year	506,817	817,570	-	-
Provisions used during the year	(441,482)	(502,211)	-	-
Balance at the end of the year	850,057	784,722	-	-
Non-current				
Balance at the beginning of the year	102,686	420,169	-	-
Provisions made during the year	14,325	(291,789)	-	-
Provisions used during the year	(47,179)	(25,694)	-	-
Balance at the end of the year	69,832	102,686	-	-

Employee/Director options

At the 30th June 2010 no options were held by any employee or Director of the company.

23 Capital and reserves

Issued capital

13,455,834 (2009: 13,215,822) ordinary shares, fully paid	28,363,268	28,345,268	28,363,268	28,345,268

Movements during the year	**Number**	**$**
As at 1 July 2008	6,607,911	27,078,830
Shares issued under a one for one non-renounceable rights issue.	6,607,911	1,266,438
As at 30 June 2009	13,215,822	28,345,268
Shares issued under a top up facility for holders of unmarketable parcels of shares	240,012	18,000
As at 30 June 2010	13,455,834	28,363,268

Capital Management

Management controls the capital of the Group in order to maximise the debt to equity ratio to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Groups debt and capital includes share capital, financial liabilities, supported by financial assets

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There are no externally imposed capital requirements

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio is optimised. The gearing ratios are as follows

	Consolidated		The Company	
	2010	2009	2010	2009
	$	$	$	$
Total Borrowings	1,842,125	2,322,301	1,710,456	2,184,229
Less Cash and cash equivalents	(299,641)	(376,017)	-	-
Net debt	1,542,484	1,946,284	1,710,456	2,184,229
Total equity	350,074	207,449	225,449	207,449
Total capital	1,892,558	2,153,733	1,935,905	2,391,678
Gearing ratio	82%	90%	88%	91%

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

24 Financial instruments

Credit risk
The Carrying amount of the Consolidated entity's financial assets represents the maximum credit exposure.
The consolidated entity's maximum exposure to credit risk at the reporting date was:

	Consolidated		The Company	
	2010	2009	2010	2009
	$	$	$	$
Trade and other receivables	1,500,143	1,540,358	-	0
Cash and cash equivalents	299,641	376,017	-	-
	1,799,784	1,916,375	-	0

All of the consolidated entity's maximum exposure to credit risk at the reporting date was in Australia

Provision for impairment of trade and other receivables

Opening balance	48,208	63,466	-	-
Amount written back to Statement of comprehensive income	(3,869)	(15,258)	-	-
Closing balance	44,339	48,208	-	-

Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments

Consolidated

30-June-2010	Carrying amount	Contractual Cash flows	Less than 12 months	1-2 years	2-5 years
Director related entity loans	1,514,919	1,677,621	162,702	1,514,919	-
Invoice discounting facility	195,537	246,538	246,538	-	-
Finance lease liabilities	131,669	136,058	105,308	27,031	3,719
Trade and other payables	1,137,463	1,137,463	1,137,463	-	-
	2,979,588	3,197,681	1,652,012	1,541,950	3,719
30-June-2009					
Director related entity loans	1,514,919	1,654,898	139,979	1,514,919	-
Invoice discounting facility	669,310	758,154	758,154	-	-
Finance lease liabilities	138,072	141,732	90,549	37,603	13,580
Trade and other payables	936,845	936,845	936,845	-	-
	3,259,146	3,491,629	1,925,527	1,552,522	13,580

The Company

30-June-2010	Carrying amount	Contractual Cash flows	Less than 12 months	1-2 years	2-5 years
Director related entity loans	1,514,919	1,677,621	162,702	-	-
Invoice discounting facility	195,537	246,538	246,538	-	-
Finance lease liabilities	-	-	-	-	-
Trade and other payables	-	-	-	-	-
	1,710,456	1,924,159	409,240	-	-
30-June-2009					
Director related entity loans	1,514,919	1,514,919	1,514,919	-	-
Invoice discounting facility	669,310	758,154	758,154	-	-
Finance lease liabilities	-	-	-	-	-
Trade and other payables	-	-	-	-	-
	2,184,229	2,273,073	2,273,073	-	-

24 Financial instruments (continued)

Currency risk
The Consolidated entity's assets and liabilities are in Australian dollars and the Consolidated entity has no material exposure to Currency risk.

Interest rate risk Profile
At the reporting date the interest rate profile of the Consolidated entity's interest-bearing financial instruments was:

	Consolidated		The Company	
	2010	2009	2010	2009
	$	$	$	$
Fixed rate instruments				
Financial liabilities	131,669	138,072	-	-
Variable rate instruments				
Cash and cash equivalents	299,641	376,017	-	-
Director related entity loans	1,514,919	1,514,919	1,514,919	1,514,919
Invoice discounting facility	195,537	669,310	-	-
	2,010,097	2,560,246	1,514,919	1,514,919

Sensitivity analysis for variable rate instruments

A change of 100 basis points up or 200 basis points down in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or Loss		Equity	
	100 bp Increase	200 bp Decrease	100 bp Increase	200 bp Decrease
30-June-10				
Variable rate instruments	(14,108)	28,216	(14,108)	28,216
Cash flow sensitivity (net)	(14,108)	28,216	(14,108)	28,216
30-June-09				
Variable rate instruments	(18,082)	36,164	(18,082)	36,164
Cash flow sensitivity (net)	(18,082)	36,164	(18,082)	36,164

Fair Values
Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	30-June-10		30-June-09	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trade and other receivables	1,500,143	1,500,143	1,540,358	1,540,358
Cash and cash equivalents	299,641	299,641	376,017	376,017
Director related entity loans	(1,514,919)	(1,514,919)	(1,514,919)	(1,514,919)
Invoice discounting facility	(195,537)	(195,537)	(669,310)	(669,310)
Financial lease liabilities	(131,669)	(131,669)	(138,072)	(138,072)
Trade and other payables	(1,137,463)	(1,137,463)	(936,845)	(936,845)
	(1,179,804)	(1,179,804)	(1,342,771)	(1,342,771)

	Consolidated		The Company	
	2010	**2009**	**2010**	**2009**
25 Operating leases	**$**	**$**	**$**	**$**
Non-cancellable operating lease rentals are payable as follows:				
Within one year	441,364	478,059	-	-
Between one and five years	571,023	555,311	-	-
More than five years	-	-	-	-
	1,012,387	1,033,369	-	-

The consolidated entity leases property under operating leases expiring from one to five years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments are generally increased every year to reflect market rentals or the terms of the lease. None of the leases includes contingent rentals.

During the financial year ended 30 June 2010, $625,028 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2009: $711,270).

26 Finance leases

Within one year	105,308	90,549	-	-
Between one and five years	30,750	51,183	-	-
More than five years	-	-	-	-
	136,058	141,732	-	-
Less future finance charges	4,389	3,660		
Carrying value	131,669	138,072		

The consolidated entity has purchased a number of laboratory delivery vehicles and laboratory machinery under finance leases. The leases for laboratory machinery are typically over a 2 year period and the leases for vehicles are typically over 3-5 years.

27 Capital and other commitments

Capital expenditure commitments

There were no material Capital expenditure commitments existing at the 30th June 2010 or at the date of this report

28 Contingent liabilities

There are no contingent liabilities at balance date (2009: Nil).

Notes to the consolidated financial statements for the year ended 30 June 2010

29 Consolidated entities

	Note	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Parent entity				
Pearl Healthcare Limited		Australia		
Subsidiaries				
Pearl Dental Pty Ltd		Australia	100	100
Smile Corporation Pty Ltd	(i)	Australia	100	100
Dental Laboratory Services Pty Ltd	(i)	Australia	100	100
Riverside Ceramics (WA) Pty Ltd	(i)	Australia	100	100
Dental Art Studio Pty Ltd	(i)	Australia	100	100
Canberra Dental Laboratories Investments Pty Ltd	(i)	Australia	100	100
Swan Resources Pty Ltd	(i)	Australia	100	100
Cellstar Pty Ltd	(i)	Australia	100	100
Pulsat Developments Pty Ltd	(i)	Australia	100	100
Pulsat Media Pty Ltd	(i)	Australia	100	100
Pulsat Carrier Pty Ltd	(i)	Australia	100	100

Notes:

(i) Company is dormant.

30 Reconciliation of cash flows from operating activities

	Note	Consolidated 2010 $	Consolidated 2009 $	The Company 2010 $	The Company 2009 $
Cash flows from operating activities					
Profit/(loss) for the period		124,625	(509,463)	-	(509,463)
Non - Cash Items					
Depreciation		563,861	719,128	-	-
Loss on sale of non-current assets		7,317	7,876	-	-
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		40,215	(7,707)	-	509,463
(increase)/decrease in inventories		(56,137)	13,820	-	-
Increase/(decrease) in trade and other payables		167,294	(33,578)	-	-
Increase/(decrease) in employee benefits		32,481	(2,124)	-	-
Net cash flow from operating activities		879,656	187,952	-	-

Notes to the consolidated financial statements for the year ended 30 June 2010

30 Reconciliation of cash flows from operating activities (Continued)

		Consolidated		The Company	
		2010	2009	2010	2009
		$	$	$	$
Acquisition of Business					
During the prior year a Crown & Bridge laboratory was acquired in Perth.					
Purchase Consideration					
Consisting of:					
Cash consideration	(i)		52,805	-	-
Current amounts due under contract of sale			33,324	-	-
Non - Current amounts due under contract of sale			63,871	-	-
		-	150,000	-	-
Assets and liabilities held at acquisition date:					
Inventories			23,080	-	-
Property, Plant and equipment			61,282	-	-
		-	84,362	-	-
Goodwill on consolidation			65,638	-	-
Total Net Assets acquired		-	150,000	-	-
During the prior year a Prosthetist clinic was acquired in Sydney.					
Purchase Consideration					
Consisting of:					
Cash consideration	(i)		140,000	-	-
		-	140,000	-	-
Assets and liabilities held at acquisition date:					
Inventories			4,664	-	-
Property, Plant and equipment			45,336	-	-
		-	50,000	-	-
Goodwill on consolidation			90,000	-	-
Total Net Assets acquired		-	140,000	-	-

(i) The total amount paid for the acquisition of business assets in the prior year was $192,805 and is disclosed in the statement of cash flows on page 17

Notes to the consolidated financial statements for the year ended 30 June 2010

31 Key management personnel disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive directors
Mr Greg Plummer (Executive Chairperson)

Non-executive director
Mr Paul Niederer
Mr Ian Neal
Mr Peter Stirling

Executives
Mr Timothy Rumbold (Chief Financial Officer)
Mr Peter Newman (National Technical Manager)
Mr Charles Furness (Company Secretary)

	Consolidated		The Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Key management personnel compensation				
The key management personnel compensation are as follows:				
Short-term employee benefits	280,000	255,531	-	-
Post employment benefits	24,750	26,160		
Termination Benefits	-	35,132		
	304,750	316,823	-	-

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' report on page 7.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans from key management personnel and their related parties (consolidated)

Details regarding loans outstanding at the reporting date to key management personnel and their related parties are as follows:

	Balance 1 July 2009	Balance 30 June 2010	Interest paid and payable in the reporting period	Highest balance in period
	$	$	$	$
Directors				
Mr Greg Plummer	1,514,919	1,514,919	149,722	1,514,919

The loans by the director related entities have been provided on the following basis:
- the loan is secured by a second ranking fixed and floating charge over the assets of the company
- interest is payable monthly and calculated at a Bank of Queensland Cashflow Finance Rate (currently 10.74%)
- Mr Greg Plummer's loan is from Jetan Pty Ltd

Notes to the consolidated financial statements for the year ended 30 June 2010

31 Key management personnel disclosures (continued)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Pearl Healthcare Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

		Opening balance	One for One Rights Issue	Purchases	Sales	Closing balance
Directors						
Greg Plummer	2010	5,650,937	-	169,991	-	5,820,928
	2009	1,364,018	4,286,919	-	-	5,650,937
Peter Stirling	2010	3,017,910	-	150,000	-	3,167,910
	2009	991,680	2,026,230	-	-	3,017,910
Paul Niederer	2010	20,000	-	-	-	20,000
	2009	20,000	-	-	-	20,000

No shares were granted to key management personnel during the reporting period as compensation.

32 Non-key management personnel disclosures

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 29) and with its key management personnel (see note 31).

The entity operates from multiple manufacturing sites around Australia. The sites are not separate parties and thus manufacturing from one site that is sold from another site is not a related party transaction.

Other related party transactions

Leases

One laboratory is leased from a current employee of the company who is the laboratory manager. The lease is at an arms length basis based on commercial terms.

33 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' declaration

1 In the opinion of the directors of Pearl Healthcare Limited ("the Company"):

(a) the financial statements and notes as set out in pages 16 to 47, and the additional disclosures included in the directors' report designated as audited, of the company and the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2010 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards; and

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

2 There are reasonable grounds to believe that the Company and the controlled entities 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 between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2009 pursuant to Section 295A of the Corporations Act 2001.

Dated at Sydney this 25th day of August 2010

Signed in accordance with a resolution of the directors:

Greg Plummer
Director

Grant Thornton
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Independent Auditor's Report
To the Members of Pearl Healthcare Limited

Report on the financial statements

We have audited the accompanying financial statements of Pearl Healthcare Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors also state, in the notes to the financial statements, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial statements, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Auditor's opinion

In our opinion:

a the financial statements of Pearl Healthcare Limited are in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

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

b the financial statements also comply with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in pages 6 to 8 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Pearl Healthcare Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON
Chartered Accountants

Michael Cunningham
Partner

Melbourne, 25 August 2010

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Pearl Healthcare Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Pearl Healthcare Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON
Chartered Accountants

Michael Cunningham
Partner

Melbourne, 25 August 2010

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ASX additional information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 2nd September 2010)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholders	Number of ordinary shares held	Percentage held
UBS Wealth Mgnt Aust Nom	3,192,912	23.73%
Stirling Peter J + RV	3,122,660	23.20%
Jetan PL (G.R Plummer Superannuation Fund)	2,628,016	19.53%
Robert Charles Smith	1,481,636	11.01%

Voting rights

Ordinary shares - refer to Note 23 in the financial statements

Distribution of equity security holders

Category	**Ordinary shares**	**No. Of Holders**	**% of Issued Capital**
1 - 1,000	13,201	77	0.10%
1,001 - 5,000	55,870	24	0.42%
5,001 - 10,000	408,240	52	3.03%
10,001 - 100,000	1,820,004	72	13.52%
100,001 and over	11,158,519	10	82.93%
	13,455,834	235	100.00%

The number of shareholders holding less than marketable parcel of ordinary shares is 102.

On-market buy-back

There is no current on-market buy-back

Restricted securities

Nil

Stock Exchange

The Company is listed on the Australian Stock Exchange. The Home exchange is Perth.

Other information

Pearl Healthcare Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

PEARL HEALTHCARE LIMITED

ASX additional information

Twenty largest shareholders

	Name	Number of ordinary shares held	Percentage of issued capital
1	UBS WEALTH MGNT AUST NOM	3,192,912	23.73%
2	STIRLING PETER J + R V	2,972,660	22.09%
3	JETAN PL	2,628,016	19.53%
4	SMITH ROBERT CHARLES	1,107,547	8.23%
5	SMITH ROBERT CHARLES	374,089	2.78%
6	BURROWS KAREN-JANE	220,000	1.63%
7	GENUINE SNAKE OIL CO PL	199,838	1.49%
8	COOLANGATTA HLDGS PL	180,000	1.34%
9	STIRLING PETER J + R V	150,000	1.11%
10	SANDSTONE NOM PL	133,457	0.99%
11	GREGG MICHAEL JOHN + S J	99,138	0.74%
12	ELKINGTON GORDON BRADLEY	98,638	0.73%
13	HSBC CUSTODY NOM AUST LTD	66,098	0.49%
14	LETTS RICHARD	58,538	0.44%
15	TORTUGA CO PL	51,325	0.38%
16	W A HALPIN INV PL	48,000	0.36%
17	STIRLING SUPER PL	45,250	0.34%
18	LEIGH ALISON	44,049	0.33%
19	NIEDERER ASSET MGNT	41,462	0.31%
20	MOSES REG + DIANNE	40,001	0.30%

Offices and officers

Principal registered office
Suite 7
13 - 25 Church Street
Hawthorn VIC 3122
Tel: (03) 9853 1700
Fax: (03) 9853 1733

Location of share registry
Security Transfer Registrars Pty Ltd

Auditor
Grant Thornton
Level 2, 215 Spring St
Melbourne VIC 3000

Company Secretary
Charles Furness

Stock Exchange

The Company is listed on the Australian Stock Exchange

Other information

Pearl Healthcare Limited, incorporated and domiciled in Australia, is a publicly listed Company by shares.

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